

Unocal Corporation  
1201 West 5th Street, P.O. Box 7600  
Los Angeles, California 90051  
Telephone (213) 977-6532

US EPA RECORDS CENTER REGION 5



1000454

**UNOCAL** 

March 31, 1989

**Stanley Y. Hanaoka**  
Manager, Corporate Accounts

Illinois Environmental Protection  
Agency  
Division of Land Pollution Control  
Permit Section - Financial Assurance  
2200 Churchill Road  
Springfield, Illinois 62706

Gentlemen:

Enclosed is the financial test submittal for Union Oil Company of California for fiscal year 1989. Should you have any questions, please contact me at (213) 977-6532.

Very truly yours,

*Stanley Y. Hanaoka*

MWC:mi/2180

Enclosure

RECEIVED

APR 3 1989

IEPA-DLPC

## LETTER FROM CHIEF FINANCIAL OFFICER

(To demonstrate liability coverage and/or to demonstrate  
both liability coverage and assurance of closure  
and/or post-closure care.)

Director  
Illinois Environmental Protection Agency  
2200 Churchill Road  
Springfield, Illinois 62706

Dear Sir or Madam:

Union Oil Company of California  
I am the chief financial officer of 1201 West 5th Street, P. O. Box 7600, Los Angeles, CA 90051

This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage <sup>(1)</sup> and Closure <sup>(2)</sup>  
and/or Post-Closure care as specified in Subpart H of 40 CFR Parts 264 and 265 and/or Subpart H of 35 Illinois  
Administrative Code Parts 724 and 725.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the  
financial test specified in Subpart H of 40 CFR Parts 264 and 265 and/or tests equivalent or substantially equivalent, and/or Subpart H of 35 Illinois  
Administrative Code Parts 724 and 725:

USEPA I.D. No. See Attachment A

Name

Address

Please attach a separate page if more space is needed for all facilities.

### See Instruction (4)

1. This firm is the owner or operator of the following facilities for which financial assurance for closure and/or post-closure care is demonstrated  
through the financial test specified in Subpart H of 35 Ill. Adm. Code Parts 724 and 725. The current closure and/or post-closure cost estimates  
covered by the test are shown for each facility: (LIST ALL THE ILLINOIS FACILITIES USING THE FINANCIAL TEST)

USEPA I.D. No. <sup>(5)</sup>	Closure Amount <sup>(6)</sup>	Post-Closure Amount <sup>(7)</sup>	Closure and Post-Closure Amounts <sup>(8)</sup>
0415 50567			
Name Chicago Refinery			
Address 135th Street and New Avenue	\$145,000	\$327,000	\$472,000
City Lemont, IL 60439			
USEPA I.D. No.			
Name			
Address			
City			

Please attach a separate page if more space is needed for all facilities.

2. This firm guarantees, through the corporate guarantee specified in Subpart H of 35 Ill. Adm. Code Parts 724 and 725, the closure and/or post-closure care of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates for closure and/or post-closure care so guaranteed are shown for each facility: (LIST ALL THE ILLINOIS FACILITIES USING THE CORPORATE GUARANTEE)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
-----------------------	--------------------------	-------------------------------	---

Name

Address

City

USEPA I.D. No.

Name

Address

City

Please attach a separate page if more space is needed for all facilities.

3. For states other than Illinois this owner or operator or guarantor is demonstrating financial assurance for the closure or post-closure care of the following facility through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility: (LIST ALL FACILITIES WHICH ARE NOT IN ILLINOIS BUT ARE SUBJECT TO A STATE OR FEDERAL FINANCIAL ASSURANCE REQUIREMENT THAT ARE ASSURED BY A FINANCIAL TEST OR CORPORATE GUARANTEE)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
-----------------------	--------------------------	-------------------------------	---

Name See Attachment B

Address

City

USEPA I.D. No.

Name

Address

City

Please attach a separate page if more space is needed for all facilities.

4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is NOT demonstrated either to IEPA, USEPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent state mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: (LIST FACILITIES IN RCRA AUTHORIZED STATES WHERE THERE IS NO STATE FINANCIAL ASSURANCE REQUIREMENT)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
-----------------------	--------------------------	-------------------------------	---

Name

Address

USEPA I.D. No. \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

Please attach a separate page if more space is needed for all facilities.

This owner or operator \_\_\_\_\_ (9) to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on \_\_\_\_\_ (10) \*. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended \_\_\_\_\_ (11)

Part B. Closure or Post-Closure Care and Liability Coverage (See Instructions 14 and 15)

Alternative II

- |   |                  |
|---|------------------|
| 1. Sum or current closure and post-closure cost estimates (total of all cost estimates listed above)  | \$ 18,215,000    |
| 2. Amount of annual aggregate liability coverage to be demonstrated   | \$ 8,000,000     |
| 3. Sum of lines 1 and 2   | \$ 26,215,000    |
| 4. Current bond rating of most recent issuance and name of rating service   | Baa2 Moody's     |
| 5. Date of issuance of bond   | 5/16/88          |
| 6. Date of maturity of bond   | 5/15/93          |
| *7. Tangible net worth (if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line) | \$ 2,054 million |
| *8. Total assets in the U.S. (required only is less than 90% of assets are located in the U.S.)   | \$ 7,932 million |
- 
- |  | Yes | No |
|--|-----|----|
| 9. Is line 7 at least \$10 million?  | X   | /  |
| 10. Is line 7 at least 6 times line 3?   | X   | /  |
| *11. Are at least 90% of assets located in the U.S.<br>If not, complete line 12. | /   | X  |
| 12. Is line 8 at least 6 times line 3?   | X   | /  |

Signature

Typed name

Title

Date

CLAUDE S. BRINEGAR  
Executive Vice President and  
Chief Financial Officer

March 31, 1989

ATTACHMENT A

EPA I.D. No. TXD010794097 - Beaumont Refinery, P. O. Box 237,  
Beaumont, TX 77627  
Closure Cost Est. \$12,281,000 Post-Closure Est. \$1,026,000  
Closure and Post-Closure \$13,307,000

EPA I.D. No. ILD041550567 - Chicago Refinery, 135th St. & New  
Avenue, Lemont, IL 60439  
Closure Cost Est. \$145,000 Post-Closure Est. \$327,000  
Closure and Post-Closure \$472,000

EPA I.D. No. CAD009108705 - San Francisco Refinery, Rodeo, CA  
94572  
Closure Cost Est. \$281,000 Post-Closure Est. \$517,000  
Closure and Post-Closure \$798,000

The owner operator identified above guarantees through the corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265 and/or guarantees equivalent or substantially equivalent, liability coverage for both sudden and nonsudden accidental occurrences at the following facilities owned or operated by its Molycorp. Inc. subsidiary:

EPA I.D. No. CAD009539321 - Molycorp, Inc., Mountain Pass  
Operation, Mountain Pass, CA 92366  
Closure Cost Est. \$2,913,000 Post-Closure Est. \$288,000  
Closure and Post-Closure \$3,201,000

Molycorp, Inc., a wholly owned subsidiary of Union Oil Company of California, operates the following facility for which financial assurances for state sudden and nonsudden liability requirements are met by insurance for sudden accidental occurrences; and a self insurance application package, including a financial test based on Union Oil data, indemnity agreement co-signed by Union Oil, a standby trust agreement and backed by an irrevocable standby letter of credit as collateral, for nonsudden accidental coverage, pursuant to Pennsylvania law.

EPA I.D. No. PAD030068282 - Molycorp, Inc., P. O. Box 500,  
Washington, PA 15301  
Closure Cost Est. \$417,000 Post-Closure Est. \$20,000  
Closure and Post Closure \$437,000

ATTACHMENT B

EPA I.D. No. TXD010794097 - Beaumont Refinery, P. O. Box 237,  
Beaumont, TX 77627  
Closure Cost Est. \$12,281,000 Post-Closure Est. \$1,026,000  
Closure and Post-Closure \$13,307,000

EPA I.D. No. CAD009108705 - San Francisco Refinery, Rodeo, CA  
94572  
Closure Cost Est. \$281,000 Post-Closure Est. \$517,000  
Closure and Post-Closure \$798,000

In states where EPA is not administering the financial requirements of Subpart H of 40 CFR parts 264 and 265, the firm identified above guarantees through a corporate guarantee equivalent or substantially equivalent to that specified by Subpart H of 40 CFR parts 264 and 265, the closure and post closure care of the following facility owned or operated by subsidiaries. The current cost estimates for the closure and post closure care so guaranteed are shown for each facility:

EPA I.D. No. CAD009539321 - Molycorp, Inc., Mountain Pass  
Operation, Mountain Pass, CA 92366  
Closure Cost Est. \$2,913,000 Post-Closure Est. \$288,000  
Closure and Post-Closure \$3,201,000

Molycorp, Inc, a wholly owned subsidiary of Union Oil Company of California, operates the following facility for which financial assurance for closure and post closure is provided by a security bond issued pursuant to Pennsylvania law:

EPA I.D. No. PAD030068282 - Molycorp, Inc., P. O. Box 500,  
Washington, PA 15301  
Closure Cost Est. \$417,000 Post-Closure Est. \$20,000  
Closure and Post-Closure \$437,000

March 31, 1989

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APR 3 1989

IEPA-DLPC

Union Oil Company of California  
1201 West Fifth Street  
Los Angeles, California 90017

Gentlemen:

We have audited the consolidated balance sheet of Union Oil Company of California and its consolidated subsidiaries (the "Company") as of December 31, 1988, and the related consolidated statements of earnings, cash flows and shareholder's equity for the year then ended, and have issued our report thereon dated February 14, 1989, which report appears on page 25 of the accompanying Annual Report on Form 10-K.

The Company has prepared documents in support of their use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265 of the Environmental Protection Agency (the "EPA") rules and regulations.

At your request, we performed the following agreed-upon procedures:

1. Read 40 CFR 264.147(f) (3) (iii) of the EPA "Standards Applicable to Owners and Operators of Hazardous Waste Treatment, Storage, and Disposal Facilities: Financial Test for Liability Coverage" in the Federal Register dated August 1, 1986. Such section sets forth the reporting requirements of the auditors of the Company pursuant to the EPA rules and regulations.
2. As to the following selected financial data required by 40 CFR 264.151(g) Part B:
  - A. We compared the amounts listed below as of December 31, 1988, to the aforementioned audited consolidated financial statements and related notes or to a schedule reconciling the amounts to the aforementioned consolidated financial statements and related notes.
  - B. We compared the amounts as listed below to the Company's letter dated March 31, 1989.

<u>Selected Financial Data</u>	<u>In Millions of Dollars</u>
Tangible net worth	<u>\$2,054</u>
Total assets in the United States	<u>\$7,932</u>

In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the above amounts should be adjusted.

It is understood that this report is solely for your information and is not to be referred to or distributed for any purpose to anyone who is not a member of management of the Company or its parent, Unocal Corporation and its consolidated subsidiaries, or the Illinois Environmental Protection Agency.

Very truly yours,

*Coopers & Lybrand*

## INDEPENDENT ACCOUNTANTS' REPORT

The Board of Directors of Union Oil Company of California:

We have audited the accompanying balance sheet of Union Oil Company of California and its consolidated subsidiaries as of December 31, 1988 and 1987, and the related consolidated statements of earnings, cash flows and shareholder's equity for each of the three years in the period ended December 31, 1988, and the related financial statement schedules. These financial statements and financial statement schedules are the responsibility of Union Oil Company of California's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, which appear on pages 26 through 45 of this Annual Report on Form 10-K, present fairly, in all material respects, the consolidated financial position of Union Oil Company of California and its consolidated subsidiaries as of December 31, 1988 and 1987, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1988, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in the "Summary of Accounting Policies" note to the consolidated financial statements, Union Oil Company of California and its consolidated subsidiaries changed their method of accounting for income taxes in 1988.

*Coopers & Lybrand*

Coopers & Lybrand  
February 14, 1989  
Los Angeles, California

**UNION OIL COMPANY OF CALIFORNIA  
CONSOLIDATED EARNINGS**

	<u>1988</u>	<u>1987</u>	<u>1986</u>
	<u>Millions of Dollars</u>		
<b><u>Revenues</u></b>			
Sales and operating revenues*	\$ 9,779	\$9,158	\$8,086
Interest, dividends and miscellaneous income	94	165	62
Equity in earnings of affiliated companies	51	44	42
Gains on sales of assets	<u>156</u>	<u>111</u>	<u>286</u>
Total revenues	10,080	9,478	8,476
<b><u>Costs and Other Deductions</u></b>			
Cost of products sold and operating expense	6,467	6,243	5,225
Selling, administrative and general expense	423	389	359
Depreciation and amortization	1,370**	1,005	932
Dry hole costs	93	82	139
Exploration expense	170	132	129
Interest expense	451	451	482
Excise, property and other operating taxes*	1,060	823	758
Minority interest	<u>27</u>	<u>24</u>	<u>14</u>
Total costs and other deductions	10,061	9,149	8,038
Earnings before taxes on income	19	329	438
Federal and other taxes on income	<u>13</u>	<u>68</u>	<u>130</u>
Earnings before cumulative effect of change in accounting principle	6	261	308
Cumulative effect of change in accounting principle for income taxes	<u>456</u>	<u>-</u>	<u>-</u>
Net earnings	<u>\$ 462</u>	<u>\$ 261</u>	<u>\$ 308</u>

\*Includes consumer excise taxes of \$ 931      \$ 697      \$ 609

\*\*Includes a \$556 million charge for asset write-downs.

See Notes to Consolidated Financial Statements.



Illinois Environmental Protection Agency · 2200 Churchill Road, Springfield, IL 62706

217/782-9884

Log #FA008

Refer to: 19780304 -- Will County  
Lemont/Chicago Refinery - Union Oil Co.  
ILD041550567

June 7, 1984

Union Oil Company of California  
Union Oil Center  
Box 7600  
Los Angeles, California 90051

Attention: Joe D. Cecil

Dear Mr. Cecil:

This will acknowledge receipt of your Financial Test Submittal, dated March 27, 1984, and received by this Agency on March 29, 1984. The Agency has reviewed this information and has concluded that there are deficiencies which need to be resolved.

Please submit step by step post-closure plan (Sec. 725.218) and updated cost estimate (Sec. 725.244) for facility post-closure.

This information must be submitted by June 24, 1984. Failure to comply with this request, may result in an enforcement action for non-compliance in accordance with the Environmental Protection Act, Ill. Rev. Stat. 1983, ch. 111 1/2, pars. 1001 et seq.

If you have any questions or if we can be of assistance, please do not hesitate to contact Andrew Vollmer or the undersigned at 217/782-6762.

Very truly yours,

*Rama K. Chaturvedi*

Rama K. Chaturvedi, P.E., Manager  
Permit Program Development Unit  
Permit Section  
Division of Land Pollution Control

RKC:ED:jd/11160/39

cc: Division File  
Compliance  
Northern Region

## LETTER FROM CHIEF FINANCIAL OFFICER

(To demonstrate liability coverage and/or to demonstrate  
both liability coverage and assurance of closure  
and/or post-closure care.)

Director  
Illinois Environmental Protection Agency  
2200 Churchill Road  
Springfield, Illinois 62706

Dear Sir or Madam:

I am the chief financial officer of Unocal Corporation and Union Oil Company of California, 461 South  
Boylston Street, Los Angeles, CA (1) 90017

This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or  
post-closure care (2) as specified in Subpart H of 40 CFR Parts 264 and 265 and/or Subpart H of 35 Illinois

Administrative Code Parts 724 and 725.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265 and/or tests equivalent or substantially equivalent, and/or Subpart H of 35 Illinois Administrative Code Parts 724 and 725:

USEPA I.D. No. See ATTACHMENT A

(3)

Name \_\_\_\_\_

Address \_\_\_\_\_

Please attach a separate page if more space is needed for all facilities.

### See Instruction (4)

1. This firm is the owner or operator of the following facilities for which financial assurance for closure and/or post-closure care is demonstrated through the financial test specified in Subpart H of 35 Ill. Adm. Code Parts 724 and 725. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: (LIST ALL THE ILLINOIS FACILITIES USING THE FINANCIAL TEST)

USEPA I.D. No. <u>0415 50567</u> (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
Name <u>Chicago Refinery (Union Oil Company)</u>	\$68,000	\$165,000	\$233,000
Address <u>135th Street and New Avenue</u>			
City <u>Lemont, IL 60439</u>			
USEPA I.D. No. _____			
Name _____			
Address _____			
City _____			

RECEIVED

MAR 29 1984

E.P.A. — D.L.P.C.  
STATE OF ILLINOIS

Please attach a separate page if more space is needed for all facilities.

2. This firm guarantees, through the corporate guarantee specified in Subpart H of 35 Ill. Adm. Code Parts 724 and 725, the closure and/or post-closure care of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates for closure and/or post-closure care so guaranteed are shown for each facility: (LIST ALL THE ILLINOIS FACILITIES USING THE CORPORATE GUARANTEE)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
Name <u>None</u>			
Address _____			
City _____			
USEPA I.D. No. _____			
Name _____			
Address _____			
City _____			

Please attach a separate page if more space is needed for all facilities.

3. For states other than Illinois this owner or operator or guarantor is demonstrating financial assurance for the closure or post-closure care of the following facility through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility: (LIST ALL FACILITIES WHICH ARE NOT IN ILLINOIS BUT ARE SUBJECT TO A STATE OR FEDERAL FINANCIAL ASSURANCE REQUIREMENT THAT ARE ASSURED BY A FINANCIAL TEST OR CORPORATE GUARANTEE)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
Name <u>See ATTACHMENT B</u>			
Address _____			
City _____			
USEPA I.D. No. _____			
Name _____			
Address _____			
City _____			

Please attach a separate page if more space is needed for all facilities.

4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is *NOT* demonstrated either to IEPA, USEPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent state mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: (LIST FACILITIES IN RCRA AUTHORIZED STATES WHERE THERE IS NO STATE FINANCIAL ASSURANCE REQUIREMENT)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
Name <u>None</u>			
Address _____			
City _____			

Part B. Closure or Post-Closure Care and Liability Coverage (See Instructions 14 and 15)

Alternative I

1. Sum of current closure and post-closure cost estimates (total of <i>all</i> cost estimates listed above) .....	\$ 11,455,140
2. Amount of annual aggregate liability coverage to be demonstrated .....	\$ 8,000,000
3. Sum of lines 1 and 2 .....	\$ 19,455,140
*4. Total liabilities (if any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6) .....	\$ 4,047.9 million
*5. Tangible net worth .....	\$ 5,180.1 million
*6. Net worth .....	\$ 5,180.1 million
*7. Current assets .....	\$ 1,896.4 million
*8. Current liabilities .....	\$ 1,439.6 million
9. Net working capital (line 7 minus line 8) .....	\$ 456.8 million
*10. The sum of net income plus depreciation, depletion, and amortization .....	\$ 1,422.6 million
*11. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.) .....	\$ 7,759.1 million
	Yes No
12. Is line 5 at least \$10 million? .....	X /
13. Is line 5 at least 6 times line 3? .....	X /
14. Is line 9 at least 6 times line 3? .....	X /
*15. Are at least 90% of assets located in the U.S.? .....	/ X
If not, complete line 16.	
16. Is line 11 at least 6 times line 3? .....	X /
17. Is line 4 divided by line 6 less than 2.0? .....	X /
18. Is line 10 divided by line 4 greater than 0.1? .....	X /
19. Is line 7 divided by line 8 greater than 1.5? .....	/ X

Signature

*Philip Blamey*

Typed name

Philip Blamey

Title

Vice President, Finance

Date

March 27, 1984

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MAR 29 1984

E.P.A. — D.L.P.C.  
STATE OF ILLINOIS

Part B. Closure or Post-Closure Care and Liability Coverage (See Instructions 14 and 15)

Alternative II

1. Sum or current closure and post-closure cost estimates (total of all cost estimates listed above) ..... \$ 11,455,140
2. Amount of annual aggregate liability coverage to be demonstrated ..... \$ 8,000,000
3. Sum of lines 1 and 2 ..... \$ 19,455,140
4. Current bond rating of most recent issuance and name of rating service ..... Aal Moody's
5. Date of issuance of bond ..... 11/1/82
6. Date of maturity of bond ..... 11/1/92
- \*7. Tangible net worth (if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line) ..... \$ 5,180.1 million
- \*8. Total assets in the U.S. (required only is less than 90% of assets are located in the U.S.) ..... \$ 7,759.1 million
- |  | Yes | No |
|--|-----|----|
| 9. Is line 7 at least \$10 million? .....                  | X   | /  |
| 10. Is line 7 at least 6 times line 3? .....               | X   | /  |
| *11. Are at least 90% of assets located in the U.S.? ..... |     | X  |
| If not, complete line 12.                                  |     |    |
| 12. Is line 8 at least 6 times line 3? .....               | X   | /  |

Signature

*Philip Blamey*

Typed name

Philip Blamey

Title

Vice President, Finance

Date

March 27, 1984

USEPA I.D. No. \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

Please attach a separate page if more space is needed for all facilities.

This owner or operator is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year. (9)

The fiscal year of this owner or operator ends on December 31 \*. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1983. (10)

(11)

RECEIVED

MAR 29 1984

E.P.A. — D.L.P.C.  
STATE OF ILLINOIS

Part A. Liability Coverage for Accidental Occurrences (See Instruction 12 and (13))

Alternative I

1. Amount of annual aggregate liability coverage to be demonstrated ..... \$ \_\_\_\_\_
  2. Current assets ..... \$ \_\_\_\_\_
  - \*3. Current liabilities ..... \$ \_\_\_\_\_
  4. Net working capital (line 2 minus line 3) ..... \$ \_\_\_\_\_
  - \*5. Tangible net worth ..... \$ \_\_\_\_\_
  - \*6. If less than 90% of assets are located in the U.S., give total U.S. assets ..... \$ \_\_\_\_\_
- |  | Yes | No |
|--|-----|----|
|--|-----|----|

Signature \_\_\_\_\_

Typed name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Part A. Liability Coverage for Accidental Occurrences (See Instruction 12 and (13))

Alternative II

1. Amount of annual aggregate liability coverage to be demonstrated ..... \$ \_\_\_\_\_
  2. Current bond rating of most recent issuance and name of rating service ..... \_\_\_\_\_
  3. Date of issuance of bond ..... \_\_\_\_\_
  4. Date of maturity of bond ..... \_\_\_\_\_
  - \*5. Tangible net worth ..... \$ \_\_\_\_\_
  - \*6. Total assets in U.S. (required only if less than 90% of assets are located in U.S.) ..... \$ \_\_\_\_\_
- |  | Yes | No |
|--|-----|----|
|--|-----|----|

Signature \_\_\_\_\_

Typed name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

ATTACHMENT A.

EPA I.D. No. TXD010794097 - Beaumont Refinery, P.O. Box  
237, Beaumont, TX 77627  
Closure Cost Est. \$4,081,000 Post-Closure Est.  
\$2,489,000  
Closure and Post-Closure \$6,570,000

EPA I.D. No. ILD041550567 - Chicago Refinery, 135th St. &  
New Avenue, Lemont, IL 60439  
Closure Cost Est. \$68,000 Post-Closure Cost Est.  
\$165,000  
Closure and Post-Closure \$233,000

EPA I.D. No. CAD009108705 - San Francisco Refinery, Rodeo,  
CA 94572  
Closure Cost Est. \$394,000 Post-Closure Cost Est.  
\$361,000  
Closure and Post-Closure \$755,000

EPA I.D. No. CAT080010796 - Santa Maria Refinery, Rt. 3  
Box 7600, Arroyo Grande, CA 93420  
Closure Cost Est. \$520,000 Post-Closure Est. None  
Closure and Post-Closure \$520,000

EPA I.D. No. ORD000618041 - Union Chemicals Nitrogen Div.  
Rivergate Terminal, 14003 N. Rivergate Blvd, Portland,  
OR 97203  
Closure Cost Est. \$200 Post-Closure Cost Est. None  
Closure and Post-Closure \$200

EPA I.D. No. AKD092876390 - Kenai Plant, P.O. Box 575,  
Kenai, AK 99611  
Closure Cost Est. \$232,000 Post-Closure Cost Est. None  
Closure and Post-Closure \$232,000

EPA I.D. No. CAD000626135 - Union Chemical Nitrogen Div.  
Sacramento Terminal, 3961 Channel Drive, West  
Sacramento, CA 95691  
Closure Cost Est. \$400 Post-Closure Est. None  
Closure and Post-Closure \$400

EPA I.D. No. COD076448794 - Molycorp, Inc., P.O. Box 37,  
Louviers, CO 80131  
Closure Cost Est. \$209,600 Post-Closure Est. None  
Closure and Post-Closure \$209,600

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MAR 29 1984

E.P.A. - D.L.P.C.  
STATE OF ILLINOIS

ATTACHMENT A.  
(continued)

EPA I.D. No. PAD003025624 - Molycorp, Inc., 350 N. Sherman  
St., York, PA 17403  
Closure Cost Est. \$11,940 Post-Closure Est. None  
Closure and Post-Closure \$11,940

EPA I.D. No. CAD009539321 - Molycorp, Inc. Mountain Pass  
Operation, Mountain Pass, CA 92366  
Closure Cost Est. \$2,340,000 Post-Closure Est. \$260,000  
Closure and Post-Closure \$2,600,000

EPA I.D. No. PAD030068282 - Molycorp, Inc.  
P.O. Box 500, Washington, PA 15301  
Closure Cost Est. \$319,000 Post-Closure Est. \$2,000  
Closure and Post-Closure \$321,000

EPA I.D. No. WAC068794387 - Allstate Oil Co. dba Inman Oil  
Co., 1300 W. 12th St., Vancouver, WA 98660  
Closure Cost Est. \$2,000 Post-Closure Est. None  
Closure and Post-Closure \$2,000

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MAR 29 1984

E.P.A. - D.L.P.C.  
STATE OF ILLINOIS

ATTACHMENT B.

EPA I.D. No. TXD010794097 - Beaumont Refinery, P.O. Box  
237, Beaumont, TX 77627  
Closure Cost Est. \$4,081,000 Post-Closure Est.  
\$2,489,000  
Closure and Post-Closure \$6,570,000

EPA I.D. No. CAD009108705 - San Francisco Refinery, Rodeo,  
CA 94572  
Closure Cost Est. \$394,000 Post-Closure Cost Est.  
\$361,000  
Closure and Post-Closure \$755,000

EPA I.D. No. CAT080010796 - Santa Maria Refinery, Rt. 3  
Box 7600, Arroyo Grande, CA 93420  
Closure Cost Est. \$520,000 Post-Closure Est. None  
Closure and Post-Closure \$520,000

EPA I.D. No. ORD000618041 - Union Chemicals Nitrogen Div.  
Rivergate Terminal, 14003 N. Rivergate Blvd, Portland,  
OR 97203  
Closure Cost Est. \$200 Post-Closure Cost Est. None  
Closure and Post-Closure \$200

EPA I.D. No. AKD092876390 - Kenai Plant, P.O. Box 575,  
Kenai, AK 99611  
Closure Cost Est. \$232,000 Post-Closure Cost Est. None  
Closure and Post-Closure \$232,000

EPA I.D. No. CAD000626135 - Union Chemical Nitrogen Div.  
Sacramento Terminal, 3961 Channel Drive, West  
Sacramento, CA 95691  
Closure Cost Est. \$400 Post-Closure Est. None  
Closure and Post-Closure \$400

EPA I.D. No. COD076448794 - Molycorp, Inc., P.O. Box 37,  
Louviers, CO 80131  
Closure Cost Est. \$209,600 Post-Closure Est. None  
Closure and Post-Closure \$209,600

RECEIVED

MAR 29 1984

E.P.A. - D.L.P.C.  
STATE OF ILLINOIS

ATTACHMENT B.  
(continued)

EPA I.D. No. PAD003025624 - Molycorp, Inc., 350 N. Sherman  
St., York, PA 17403  
Closure Cost Est. \$11,940 Post-Closure Est. None  
Closure and Post-Closure \$11,940

EPA I.D. No. CAD009539321 - Molycorp, Inc. Mountain Pass  
Operation, Mountain Pass, CA 92366  
Closure Cost Est. \$2,340,000 Post-Closure Est. \$260,000  
Closure and Post-Closure \$2,600,000

EPA I.D. No. PAD030068282 - Molycorp, Inc.  
P.O. Box 500, Washington, PA 15301  
Closure Cost Est. \$319,000 Post-Closure Est. \$2,000  
Closure and Post-Closure \$321,000

EPA I.D. No. WAC068794387 - Allstate Oil Co. dba Inman Oil  
Co., 1300 W. 12th St., Vancouver, WA 98660  
Closure Cost Est. \$2,000 Post-Closure Est. None  
Closure and Post-Closure \$2,000

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MAR 29 1984

E.P.A. - D.L.P.C.  
STATE OF ILLINOIS

March 27, 1984

Union Oil Company of California  
Union Oil Center  
Los Angeles, California 90017

Gentlemen:

We have examined the consolidated balance sheet of Unocal Corporation and its consolidated subsidiary, Union Oil Company of California, as of December 31, 1983, and related consolidated statements of earnings, shareowners' equity, and changes in financial position for the year then ended, and have issued our report thereon dated February 14, 1984. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we performed the following agreed-upon procedures:

1. Read 40 CFR 264.147(f)(3)(iii) of the Environmental Protection Agency (EPA) "Standards Applicable to Owners and Operators of Hazardous Waste Treatment, Storage, and Disposal Facilities: Liability Requirements" in the Federal Register dated April 16, 1982. Such section sets forth the reporting requirements of the auditors of Unocal Corporation and its consolidated subsidiary, Union Oil Company of California, pursuant to the EPA rules and regulations.
2. As to the following selected financial data required by 40 CFR 264.151(g) Part B:
  - A. We compared the amounts listed below for December 31, 1983 and for the year then ended to the aforementioned consolidated financial statements and related notes to consolidated financial statements and found them to be in agreement.
  - B. We compared the amounts as listed below to Union Oil Company of California's letter dated March 27, 1984, found them to be in agreement.

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MAR 29 1984

E.P.A. - D.L.P.C.  
STATE OF ILLINOIS

Union Oil Company of California  
March 27, 1984  
Page 2

<u>Selected Financial Data</u>	<u>In Millions Of Dollars</u>
Total liabilities	<u>\$4,047.9</u>
Tangible net worth	<u>\$5,180.1</u>
Net worth	<u>\$5,180.1</u>
Current assets	<u>\$1,896.4</u>
Current liabilities	<u>\$1,439.6</u>
Net income	\$625.9
Depreciation and amortization	<u>796.7</u>
	<u>\$1,422.6</u>
 <u>Asset Data</u>	
United States	\$7,206.1
Corporate and unallocated	<u>553.0</u>
Total assets in the United States	7,759.1
Foreign assets	<u>1,468.9</u>
Total consolidated assets	<u>\$9,228.0</u>

In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the above amounts should be adjusted.

Very truly yours,

*Coopers & Lybrand*

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MAR 29 1984

E.P.A. — D.L.P.C.  
STATE OF ILLINOIS

Union Oil Company of California

Union Oil Center, Box 7600, Los Angeles, California 90051  
Telephone (213) 977-7982

FA 008  
copy sent  
to Reg.

EXPRESS MAIL  
RETURN RECEIPT REQUESTED

UNI 76 N

Raymond N. Fleck  
Assistant Counsel

June 15, 1984

Illinois Environmental Protection  
Agency  
Permit Program Development Unit  
Permit Section  
Division of Land Pollution Control  
2200 Churchill Road  
Springfield, Illinois 62706

Attention Rama K. Chaturvedi

Re: 19780304 -- Will County  
Lemont/Chicago Refinery -  
Union Oil Company  
ILD 041550567

Dear Mr. Chaturvedi:

This is in response to your letter of June 7, 1984, to Mr. Joe D. Cecil of Union Oil requesting a post-closure plan and an updated cost estimate for the facility at Union Oil's Chicago Refinery at Lemont, Illinois.

Copies of the requested documents are enclosed.

If you have any questions, please call Ray Fleck (213) 977-7982 or Tim Thomas (213) 977-6376.

Very truly yours,

  
Ray N. Fleck

RNF:nat

Enclosures

RECEIVED

JUN 20 1984

LEA - D. C.  
STATE OF ILLINOIS

Post-Closure Plan  
UNION OIL - CHICAGO REFINERY  
LAND TREATMENT AREA

EPA ID NO. = ILDO41550567  
Union Oil Company of California  
Chicago Refinery  
135th Street & New Avenue  
Lemont, Illinois 60439  
312/257-7761

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JUN 20 1984

E.P.A. - D.L.P.C.  
STATE OF ILLINOIS

I. Ground-Water Monitoring

1. 6 wells - 60-80' (for location, see Attachment 1)
2. Wells monitored at yearly intervals
3. Analyses required - pH, TOC, TOH, Specific Conductance.  
U.S. EPA standard procedures to be utilized for the above analyses.

II. Maintenance Activities

A. Inspections

1. Once a day a contract security service will check the fences and gates to insure that they continue to be adequate.
2. Quarterly, a responsible person from Union Oil (to be designated later) will make a facility inspection of the following items:
  - a. Dikes, drains will be inspected
  - b. Fences, gates inspected, repaired if necessary
  - c. Warning signs posted and are legible
  - d. Monitoring equipment to be in operating condition; if defective, it will be repaired or replaced
  - e. Inspect the ground cover to insure that the soil is held in place so erosion is minimized
  - f. If damage from erosion results, it will be repaired

B. Maintaining Cover Vegetation

The ground cover planted under the landfarm closure plan should reseed itself resulting in a permanent pasture.

C. Erosion Control

If damage from erosion is detected, it will be repaired by regrading, filling and reseeding. The ensuing vegetation will hold the soil in place.

III. A.

B.

C. Security

Daily inspection reports and quarterly inspection reports  
will be sent to a person designated by:

R. F. Nootbaar, Sr. Vice President, Eastern Region  
Union Oil Company of California  
1650 East Golf Road  
Schaumburg, Illinois 60196  
(312) 885-5555

This person will ensure that any corrective action will  
progress in order to bring the site into compliance  
with the closure, post-closure plans.

POST-CLOSURE COSTS

6 wells - 4 tests/well	24 tests/yr. @ \$15/test	= \$ 360
Security Inspection 1/day	\$5/day	= 1,825
Quarterly Inspection	\$100/day x 4	= 400
Yearly Maintenance - fences, grading, vegetation, etc.		= 2,000

TOTAL Annual Post-Closure Costs \$ 4,600

TOTAL 30 Year Post-Closure Costs \$138,000

**RECEIVED**

JUN 20 1984

EPA - D.L.P.C.  
STATE OF ILLINOIS



MAR 29 1982

Closure Costs

Post Closure Costs

1981	\$57,300	\$138,000
1982	\$62,000	\$150,000
1983	\$66,000	\$159,000
1984	\$68,000	\$165,000

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JUN 20 1984

STATE OF ILLINOIS

MAR 29 1982

## Closure + Post-closure Plans (Updated Costs) for 1982

Data gathered from January '82 Survey of Current Business  
 GNP Implicit Price Deflator

Base Figure - 3<sup>rd</sup> Quarter 1980 - 179.18  
 1<sup>st</sup> updated Figure - 3<sup>rd</sup> Quarter 1981 - 195.61

## Closure Costs -

Surface Impoundment - \$10,800  
 Land Treatment - \$46,500  
\$57,300

## Post closure

-30 yr period (\$4600 x 30) - \$138,000

## Updated Closure Costs

$$\$57,300 \times \frac{1.09}{179.18} = \$62,400$$

Rounded to Nearest + lower  
 fits 12,000  
 Less App 50,000  $\Rightarrow$  \$62,000

## Updated Post Closure Costs

$$\$138,000 \times \frac{1.09}{179.18} = \$150,400$$

Post closure \$150,000

RECEIVED

JUN 20 1984

E.P.A. - W.L.P.C.  
 STATE OF MICHIGAN

FEB 11 1983

Closure + Post-closure Plans (Updated Costs) for 1983

Data gathered from October, 1982 - Survey of Current Business  
CNP Implicit Price Deflator

Base Figure - 3<sup>rd</sup> Quarter 1981 - 197.36

1<sup>st</sup> updated figure - 3<sup>rd</sup> Quarter 1982 - 208.71

Updated Closure Costs

$$\$62,400 \times \frac{208.71}{197.36} = \$66,000 \quad \$65,989$$

Updated Postclosure Costs

$$\$150,400 \times \frac{208.71}{197.36} = \$159,000 \quad 159,049$$

RECEIVED

JUN 20 1984

L.P.A. - D.L.P.C.  
STATE OF ILLINOIS

JAN 27 1984

Closure/Post Closure Plans (Updated Costs) for 1984

Data gathered from October 1983 - Survey of Current Business -  
G.N.P. Implicit Price Deflator

Base Figure - 3Q - 1982	208.71	> 1.037
Updated Figure - 3Q - 1983	216.37	

Updated closure costs

$$65,989 \times 1.037 = 68,431 = \textcircled{\$68,000}$$

Updated Post closure costs

$$15,904.9 \times 1.037 = 16,493.4 = \textcircled{\$165,000}$$

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JUN 20 1984

E.P.A. - D.L.P.C.  
STATE OF ILLINOIS

USEPA



Illinois Environmental Protection Agency 2200 Churchill Road, Springfield, IL 62706

217/782-6761

Refer to: 1978030004 -- Will County  
Lenont/Union Oil Company  
041550567  
Compliance File

September 10, 1987

Unocal Corporation  
ATTN: Mr. Robert Schliax, Manager, Corporate Accounts  
1701 West 8th Street  
P. O. Box 7600  
Los Angeles, CA 90051

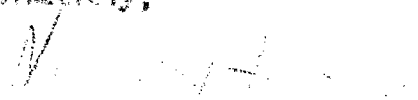
Dear Mr. Schliax:

This is to inform you that your financial assurance instruments for the year ending December 31, 1986 are in order.

Also, as a reminder, your updated instrument(s) for the year ending December 31, 1987, will be due by March 31, 1988. The required forms are enclosed for your next submittal.

If you have any questions or if we can be of assistance, please do not hesitate to contact Andrew A. Vollmer at 217/782-6762.

Sincerely,

  
Linda G. Kissinger, Manager  
Technical Compliance Unit  
Compliance Section  
Division of Land Pollution Control

LK:KIP/TIR/3508g/100

cc: Division File  
Northern Region  
Andrew Vollmer  
Michelle Tebrugge  
USEPA - Region V ✓



Unocal Corporation  
1201 West 5th Street, P.O. Box 7600  
Los Angeles, California 90051  
Telephone (213) 977-6532

**UNOCAL** 76

March 31, 1987

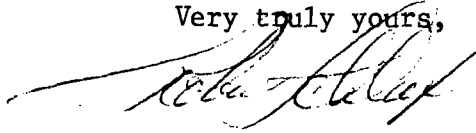
**Robert Schlax**  
Manager, Corporate Accounts

Illinois Environmental Protection  
Agency  
Division of Land Pollution Control  
Permit Section - Financial Assurance  
2200 Churchill Road  
Springfield, Illinois 62706

Gentlemen:

Enclosed is the financial test submittal for Union Oil Company of California for fiscal year 1987. Should you have any questions, please contact me at (213) 977-6532.

Very truly yours,



GTT:aj/1627-6

Enclosure

RECORDED  
APR 14 1987  
1977-6532

## LETTER FROM CHIEF FINANCIAL OFFICER

(To demonstrate liability coverage and/or to demonstrate  
both liability coverage and assurance of closure  
and/or post-closure care.)

Director  
Illinois Environmental Protection Agency  
2200 Churchill Road  
Springfield, Illinois 62706

Dear Sir or Madam:

Union Oil Company of California

I am the chief financial officer of 1201 West 5th Street, P. O. Box 7600, Los Angeles, CA 90051

(1)

This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and Closure

(2)

and/or Post-Closure care as specified in Subpart H of 40 CFR Parts 264 and 265 and/or Subpart H of 35 Illinois  
Administrative Code Parts 724 and 725.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265 and/or tests equivalent or substantially equivalent, and/or Subpart H of 35 Illinois Administrative Code Parts 724 and 725:

USEPA I.D. No. See Attachment A

(3)

Name

Address

Please attach a separate page if more space is needed for all facilities.

### See Instruction (4)

1. This firm is the owner or operator of the following facilities for which financial assurance for closure and/or post-closure care is demonstrated through the financial test specified in Subpart H of 35 Ill. Adm. Code Parts 724 and 725. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: (LIST ALL THE ILLINOIS FACILITIES USING THE FINANCIAL TEST)

USEPA I.D. No.	Closure Amount	Post-Closure Amount	Closure and Post-Closure Amounts
(5)	(6)	(7)	(8)
<u>0415 50567</u>			
Name <u>Chicago Refinery</u>			
Address <u>135th Street and New Avenue</u>	<u>\$136,000</u>	<u>\$306,000</u>	<u>\$442,000</u>
City <u>Lemont, IL 60439</u>			
USEPA I.D. No. _____			
Name _____			
Address _____			
City _____			

RECORDED

APR -6 1987

IEPA BUREAU

**Part B. Closure or Post-Closure Care and Liability Coverage (See Instructions 14 and 15)**

**Alternative I**

- |  |                  |
|--|------------------|
| 1. Sum of current closure and post-closure cost estimates (total of <i>all</i> cost estimates listed above)  | \$ 16,695,000    |
| 2. Amount of annual aggregate liability coverage to be demonstrated  | \$ 8,000,000     |
| 3. Sum of lines 1 and 2  | \$ 24,695,000    |
| *4. Total liabilities (if any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6) | \$ 8,528 million |
| *5. Tangible net worth   | \$ 1,599 million |
| *6. Net worth  | \$ 1,599 million |
| *7. Current assets   | \$ 1,835 million |
| *8. Current liabilities  | \$ 1,175 million |
| 9. Net working capital (line 7 minus line 8)   | \$ 660 million   |
| *10. The sum of net income plus depreciation, depletion, and amortization  | \$ 1,240 million |
| *11. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.)   | \$ 8,582 million |
|  | Yes No           |
| 12. Is line 5 at least \$10 million?   | X /              |
| 13. Is line 5 at least 6 times line 3?   | X /              |
| 14. Is line 9 at least 6 times line 3?   | X /              |
| *15. Are at least 90% of assets located in the U.S.?   | / X              |
| If not, complete line 16.  |                  |
| 16. Is line 11 at least 6 times line 3?  | X /              |
| 17. Is line 4 divided by line 6 less than 2.0?   | / X              |
| 18. Is line 10 divided by line 4 greater than 0.1?   | X /              |
| 19. Is line 7 divided by line 8 greater than 1.5?  | X /              |

Signature

Typed name

CLAUDE S. BRINEGAR

Title

Executive Vice President and  
Chief Financial Officer

Date

March 31, 1987

Part B. Closure or Post-Closure Care and Liability Coverage (See Instructions 14 and 15)

Alternative II

1. Sum or current closure and post-closure cost estimates (total of all cost estimates listed above) ..... \$16,695,000
2. Amount of annual aggregate liability coverage to be demonstrated ..... \$ 8,000,000
3. Sum of lines 1 and 2 ..... \$24,695,000
4. Current bond rating of most recent issuance and name of rating service ..... Baa3 Moody's
5. Date of issuance of bond ..... 5-6-86
6. Date of maturity of bond ..... 5-6-98
- \*7. Tangible net worth (if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line) ..... \$ 1,599 million
- \*8. Total assets in the U.S. (required only if less than 90% of assets are located in the U.S.) ..... \$ 8,582 million
- |  | Yes | No |
|--|-----|----|
| 9. Is line 7 at least \$10 million? .....                  | X   | /  |
| 10. Is line 7 at least 6 times line 3? .....               | X   | /  |
| *11. Are at least 90% of assets located in the U.S.? ..... |     | X  |
| If not, complete line 12.                                  |     |    |
| 12. Is line 8 at least 6 times line 3? .....               | X   | /  |

Signature

Typed name

Title

Date

CLAUDE S. BRINEGAR  
Executive Vice President and  
Chief Financial Officer  
March 31, 1987

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MAR - 8 1987  
HRA-DLFC

Please attach a separate page if more space is needed for all facilities.

2. This firm guarantees, through the corporate guarantee specified in Subpart H of 35 Ill. Adm. Code Parts 724 and 725, the closure and/or post-closure care of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates for closure and/or post-closure care so guaranteed are shown for each facility: (LIST ALL THE ILLINOIS FACILITIES USING THE CORPORATE GUARANTEE)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
Name			
Address			
City			
USEPA I.D. No.			
Name			
Address			
City			

Please attach a separate page if more space is needed for all facilities.

3. For states other than Illinois this owner or operator or guarantor is demonstrating financial assurance for the closure or post-closure care of the following facility through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility: (LIST ALL FACILITIES WHICH ARE NOT IN ILLINOIS BUT ARE SUBJECT TO A STATE OR FEDERAL FINANCIAL ASSURANCE REQUIREMENT THAT ARE ASSURED BY A FINANCIAL TEST OR CORPORATE GUARANTEE)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
Name See Attachment B			
Address			
City			
USEPA I.D. No.			
Name			
Address			
City			

Please attach a separate page if more space is needed for all facilities.

4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is NOT demonstrated either to IEPA, USEPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent state mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: (LIST FACILITIES IN RCRA AUTHORIZED STATES WHERE THERE IS NO STATE FINANCIAL ASSURANCE REQUIREMENT)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
Name			
Address			
City			

USEPA I.D. No. \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

Please attach a separate page if more space is needed for all facilities.

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest  
(9)  
fiscal year.

The fiscal year of this owner or operator ends on December 31 \*. The figures for the following items marked with an asterisk  
(10)  
are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended  
December 31, 1986.  
(11)

RECORDED  
INDEXED  
MAY 14 1987  
FBI

ATTACHMENT A

EPA I.D. No. TXD010794097 - Beaumont Refinery, P. O. Box 237, Beaumont,  
TX 77627  
Closure Cost Est. \$11,267,000 Post-Closure Est. \$942,000  
Closure and Post-Closure \$12,209,000

EPA I.D. No. ILD041550567 - Chicago Refinery, 135th St. & New Avenue,  
Lemont, IL 60439  
Closure Cost Est. \$136,000 Post-Closure Est. \$306,000  
Closure and Post-Closure \$442,000

EPA I.D. No. CAD009108705 - San Francisco Refinery, Rodeo, CA 94572  
Closure Cost Est. \$289,000 Post-Closure Est. \$165,000  
Closure and Post-Closure \$454,000

EPA I.D. No. AKD092876390 - Kenai Plant, P. O. Box 575, Kenai, AK 99611  
Closure Cost Est. None Post-Closure Est. None  
Closure and Post-Closure None

EPA I.D. No. COD076448794 - Molycorp, Inc., P. O. Box 37, Louviers, CO 80131  
Closure Cost Est. \$256,000 Post-Closure Est. None  
Closure and Post-Closure \$256,000

EPA I.D. No. CAD009539321 - Molycorp, Inc., Mountain Pass Operation,  
Mountain Pass, CA 92366  
Closure Cost Est. \$2,670,000 Post-Closure Est. \$264,000  
Closure and Post-Closure \$2,934,000

EPA I.D. No. PAD030068282 - Molycorp, Inc., P. O. Box 500,  
Washington, PA 15301  
Closure Cost Est. \$382,000 Post-Closure Est. \$18,000  
Closure and Post-Closure \$400,000

ATTACHMENT B

EPA I.D. No. TXD010794097 - Beaumont Refinery, P. O. Box 237,  
Beaumont, TX 77627  
Closure Cost Est. \$11,267,000 Post-Closure Est. \$942,000  
Closure and Post-Closure \$12,209,000

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Closure Cost Est. \$289,000 Post-Closure Est. \$165,000  
Closure and Post-Closure \$454,000

EPA I.D. No. AKD092876390 - Kenai Plant, P. O. Box 575, Kenai, AK 99611  
Closure Cost Est. None Post-Closure Est. None  
Closure and Post-Closure None

EPA I.D. No. COD076448794 - Molycorp, Inc., P. O. Box 37, Louviers, CO 80131  
Closure Cost Est. \$256,000 Post-Closure Est. None  
Closure and Post-Closure \$256,000

EPA I.D. No. CAD009539321 - Molycorp, Inc., Mountain Pass Operation,  
Mountain Pass, CA 92366  
Closure Cost Est. \$2,670,000 Post-Closure Est. \$264,000  
Closure and Post-Closure \$2,934,000

EPA I.D. No. PAD030068282 - Molycorp, Inc., P. O. Box 500,  
Washington, PA 15301  
Closure Cost Est. \$382,000 Post-Closure Est. \$18,000  
Closure and Post-Closure \$400,000

Union Oil Company of California  
March 31, 1987  
Page 2

<u>Selected Financial Data</u>	<u>In Millions Of Dollars</u>
Total liabilities	<u>\$8,528</u>
Tangible net worth	<u>\$1,599</u>
Net worth	<u>\$1,599</u>
Current assets	<u>\$1,835</u>
Current liabilities	<u>\$1,175</u>
Net working capital	<u>\$ 660</u>
The sum of net income plus depreciation, depletion and amortization	<u>\$1,240</u>
Total assets in the United States	<u>\$8,582</u>

In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the above amounts should be adjusted.

It is understood that this report is solely for your information and is not to be referred to or distributed for any purpose to anyone who is not a member of management of Unocal Corporation and its subsidiaries or the Illinois Environmental Protection Agency.

Very truly yours,

*Coopers & Lybrand*

APP - 8

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March 31, 1987

Union Oil Company of California  
1201 West Fifth Street  
Los Angeles, California 90017

Gentlemen:

We have examined the consolidated balance sheet of Union Oil Company of California and its consolidated subsidiaries, as of December 31, 1986 and the related statements of consolidated earnings, consolidated shareholder's equity and changes in consolidated financial position for the year then ended, and have issued our report thereon dated February 13, 1987 except as to the information in the Subsequent Events Note for which the date is March 30, 1987. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

At your request, we performed the following agreed-upon procedures:

1. Read 40 CFR 264.147(f) (3) (iii) of the Environmental Protection Agency (EPA) "Standards Applicable to Owners and Operators of Hazardous Waste Treatment, Storage, and Disposal Facilities: Liability Requirements" in the Federal Register dated August 1, 1986. Such section sets forth the reporting requirements of the auditors of Union Oil Company of California and its consolidated subsidiaries pursuant to the EPA rules and regulations.
2. As to the following selected financial data required by 40 CFR 264.151(g) Part B:
  - A. We compared the amounts listed below for December 31, 1986 and for the year then ended to the aforementioned consolidated financial statements and related notes or to a schedule reconciling the amount to the aforementioned consolidated financial statements and related notes and found them to be in agreement.
  - B. We compared the amounts as listed below to Union Oil Company of California's letter dated March 31, 1987, and found them to be in agreement.

The Shareholder of Union Oil  
Company of California

We have examined the consolidated balance sheet of Union Oil Company of California and its consolidated subsidiaries as of December 31, 1986 and 1985, and the related statements of consolidated earnings, consolidated shareholder's equity and changes in consolidated financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Union Oil Company of California and its consolidated subsidiaries as of December 31, 1986 and 1985, and the results of their consolidated operations and changes in their consolidated financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period, except for the change in 1986, with which we concur, in the method of accounting for pension costs as described in the Retirement Plans Note to the consolidated financial statements.

*Coopers & Lybrand*

Los Angeles, California  
February 13, 1987, except as to the information in the  
Subsequent Events Note for which the date is March 30, 1987.

# FACILITY TRACKING SHEET

(Subpart H Financial Assurance Review Sheet)

Facility Name: Union Oil (UNOCAL) USEPA ID #: LD041550867 IEPA ID #: 1978030004

LDF: X Non-LDF: \_\_\_\_\_ Reviewer: XAC (Initials) 9/21/88 (Date)

Facility in Compliance with Subpart H FT (Date) gcs (Initials)

Type of Instruments: FT Liability Coverage? Yes X No \_\_\_\_\_

CIL Sent \_\_\_\_\_ Response Received \_\_\_\_\_ PECL Sent \_\_\_\_\_ PEC Held \_\_\_\_\_

Referred to EDG \_\_\_\_\_

COMMENTS SUBPART need AUDITORS OPINION (copy OK)  
OR ANNUAL REPORT

9/28/88 - Cairo Report. Submit to UNOCAL - ~~not time~~  
will send to me ASAP Rec'd 7/27/88

## LETTER FROM CHIEF FINANCIAL OFFICER

(To demonstrate liability coverage and/or to demonstrate  
both liability coverage and assurance of closure  
and/or post-closure care.)

Director  
Illinois Environmental Protection Agency  
2200 Churchill Road  
Springfield, Illinois 62706

Dear Sir or Madam:

Union Oil Company of California

I am the chief financial officer of 1201 West 5th Street, P.O. Box 7600, Los Angeles, CA 90051

This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage <sup>(1)</sup> and Closure  
and/or Post-Closure care <sup>(2)</sup> as specified in Subpart H of 40 CFR Parts 264 and 265 and/or Subpart H of 35 Illinois  
Administrative Code Parts 724 and 725.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265 and/or tests equivalent or substantially equivalent, and/or Subpart H of 35 Illinois Administrative Code Parts 724 and 725:

USEPA I.D. No. See Attachment A

(3)

Name

Address

Please attach a separate page if more space is needed for all facilities.

See Instruction (4)

1. This firm is the owner or operator of the following facilities for which financial assurance for closure and/or post-closure care is demonstrated through the financial test specified in Subpart H of 35 Ill. Adm. Code Parts 724 and 725. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: (LIST ALL THE ILLINOIS FACILITIES USING THE FINANCIAL TEST)

USEPA I.D. No.	Closure Amount	Post-Closure Amount	Closure and Post-Closure Amounts
(5)	(6)	(7)	(8)
<u>0415 50567</u>			
Name <u>Chicago Refinery</u>			
Address <u>135th Street and New Avenue</u>	<u>\$140,000</u>	<u>\$315,000</u>	<u>\$455,000</u>
City <u>Lemont, IL 60439</u>			

USEPA I.D. No.

Name

Address

City

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APR - 4 1988

IEPA-DLPQ

Please attach a separate page if more space is needed for all facilities.

2. This firm guarantees, through the corporate guarantee specified in Subpart H of 35 Ill. Adm. Code Parts 724 and 725, the closure and/or post-closure care of the following facilities owned or operated by subsidiaries of this firm. The current cost estimates for closure and/or post-closure care so guaranteed are shown for each facility: (LIST ALL THE ILLINOIS FACILITIES USING THE CORPORATE GUARANTEE)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
Name			
Address			
City			
USEPA I.D. No.			
Name			
Address			
City			

Please attach a separate page if more space is needed for all facilities.

3. For states other than Illinois this owner or operator or guarantor is demonstrating financial assurance for the closure or post-closure care of the following facility through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility: (LIST ALL FACILITIES WHICH ARE NOT IN ILLINOIS BUT ARE SUBJECT TO A STATE OR FEDERAL FINANCIAL ASSURANCE REQUIREMENT THAT ARE ASSURED BY A FINANCIAL TEST OR CORPORATE GUARANTEE)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
Name See Attachment B			
Address			
City			
USEPA I.D. No.			
Name			
Address			
City			

Please attach a separate page if more space is needed for all facilities.

4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is NOT demonstrated either to IEPA, USEPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent state mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: (LIST FACILITIES IN RCRA AUTHORIZED STATES WHERE THERE IS NO STATE FINANCIAL ASSURANCE REQUIREMENT)

USEPA I.D. No. (5)	Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
Name			
Address			
City			

USEPA I.D. No. \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

Please attach a separate page if more space is needed for all facilities.

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest  
(9)  
fiscal year.

The fiscal year of this owner or operator ends on December 31 \*. The figures for the following items marked with an asterisk  
(10)

are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended  
December 31, 1987

(11)

**Part A. Liability Coverage for Accidental Occurrences (See Instruction 12 and (13))**

**Alternative I**

1. Amount of annual aggregate liability coverage to be demonstrated ..... \$ \_\_\_\_\_
- \*2. Current assets ..... \$ \_\_\_\_\_
- \*3. Current liabilities ..... \$ \_\_\_\_\_
4. Net working capital (line 2 minus line 3) ..... \$ \_\_\_\_\_
- \*5. Tangible net worth ..... \$ \_\_\_\_\_
- \*6. If less than 90% of assets are located in the U.S., give total U.S. assets ..... \$ \_\_\_\_\_
- Yes      No
7. Is line 5 at least \$10 million? ..... / \_\_\_\_\_
8. Is line 4 at least 6 times line 1? ..... / \_\_\_\_\_
9. Is line 5 at least 6 times line 1? ..... / \_\_\_\_\_
- \*10. Are at least 90% of assets located in the U.S.? ..... / \_\_\_\_\_  
If not, complete line 11.
11. Is line 6 at least 6 times line 1? ..... / \_\_\_\_\_

Signature \_\_\_\_\_

Typed name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

**Part A. Liability Coverage for Accidental Occurrences (See Instruction 12 and (13))**

**Alternative II**

1. Amount of annual aggregate liability coverage to be demonstrated ..... \$ \_\_\_\_\_
2. Current bond rating of most recent insurance and name of rating service ..... \_\_\_\_\_
3. Date of issuance of bond ..... \_\_\_\_\_
4. Date of maturity of bond ..... \_\_\_\_\_
- \*5. Tangible net worth ..... \$ \_\_\_\_\_
- \*6. Total assets in U.S. (required only if less than 90% of assets are located in U.S.) ..... \$ \_\_\_\_\_
- Yes      No
7. Is line 5 at least \$10 million? ..... / \_\_\_\_\_
8. Is line 5 at least 6 times line 1? ..... / \_\_\_\_\_
- \*9. Are at least 90% of assets located in the U.S.? ..... / \_\_\_\_\_  
If not, complete line 10.
10. Is line 6 at least 6 times line 1? ..... / \_\_\_\_\_

Signature \_\_\_\_\_

Typed name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Part B. Closure or Post-Closure Care and Liability Coverage (See Instructions 14 and 15)

Alternative I

1. Sum of current closure and post-closure cost estimates (total of <i>all</i> cost estimates listed above)	\$17,436,000
2. Amount of annual aggregate liability coverage to be demonstrated	\$8,000,000
3. Sum of lines 1 and 2	\$25,436,000
*4. Total liabilities (if any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)	\$8,407 milli
*5. Tangible net worth	\$1,654 milli
*6. Net worth	\$1,654 milli
*7. Current assets	\$1,959 milli
*8. Current liabilities	\$1,438 milli
9. Net working capital (line 7 minus line 8)	\$521 milli
*10. The sum of net income plus depreciation, depletion, and amortization	\$1,266 milli
*11. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.)	\$8,560 milli
	Yes No
12. Is line 5 at least \$10 million?	X /
13. Is line 5 at least 6 times line 3?	X /
14. Is line 9 at least 6 times line 3?	X /
*15. Are at least 90% of assets located in the U.S.?	/ X
If not, complete line 16.	X
16. Is line 11 at least 6 times line 3?	/ X
17. Is line 4 divided by line 6 less than 2.0?	/ X
18. Is line 10 divided by line 4 greater than 0.1?	X /
19. Is line 7 divided by line 8 greater than 1.5?	/ X

Signature

Typed name

CLAUDE S. BRINEGAR

Title

Executive Vice President and  
Chief Financial Officer

Date

March 30, 1988

Part B. Closure or Post-Closure Care and Liability Coverage (See Instructions 14 and 15)

Alternative II

1. Sum or current closure and post-closure cost estimates (total of all cost estimates listed above) ..... \$ 17,436,000
2. Amount of annual aggregate liability coverage to be demonstrated ..... \$ 8,000,000
3. Sum of lines 1 and 2 ..... \$ 25,436,000
4. Current bond rating of most recent issuance and name of rating service ..... Baa2 Moody's
5. Date of issuance of bond ..... 4-1-87
6. Date of maturity of bond ..... 4-1-97
- \*7. Tangible net worth (if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line) ..... \$ 1,654 million
- \*8. Total assets in the U.S. (required only if less than 90% of assets are located in the U.S.) ..... \$ 8,560 million
- |  | Yes | No |
|--|-----|----|
| 9. Is line 7 at least \$10 million? .....                  | X / |    |
| 10. Is line 7 at least 6 times line 3? .....               | X / |    |
| *11. Are at least 90% of assets located in the U.S.? ..... |     | X  |
| If not, complete line 12.                                  | X / |    |
| 12. Is line 8 at least 6 times line 3? .....               | X / |    |

Signature

Typed name

CLAUDE S. BRINEGAR

Title

Executive Vice President and  
Chief Financial Officer

Date

March 30, 1988

ATTACHMENT A

EPA I.D. No. TXD010794097 - Beaumont Refinery, P. O. Box  
237, Beaumont, TX 77627  
Closure Cost Est. \$11,763,000 Post-Closure Est.  
\$983,000  
Closure and Post-Closure ~~\$12,746,000~~

EPA I.D. No. ILD041550567 - Chicago Refinery, 135th St. &  
New Avenue, Lemont, IL 60439  
Closure Cost Est. \$140,000 Post-Closure Est. \$315,000  
Closure and Post-Closure ~~\$455,000~~

EPA I.D. No. CAD009108705 - San Francisco Refinery,  
Rodeo, CA 94572  
Closure Cost Est. \$302,000 Post-Closure Est. \$172,000  
Closure and Post-Closure ~~\$474,000~~

The owner operator identified above guarantees through the  
corporate guarantee specified in Subpart H of 40 CFR Parts  
264 and 265 and/or guarantees equivalent or substantially  
equivalent, liability coverage for both sudden and  
nonsudden accidental occurrences at the following  
facilities owned or operated by its Molycorp. Inc.  
subsidiary:

EPA I.D. No. COD076448794 - Molycorp, Inc., P. O. Box 37,  
Louviers, CO 80131  
Closure Cost Est. \$267,000 Post-Closure Est. 10,000  
Closure and Post-Closure

EPA I.D. No. CAD009539321 - Molycorp, Inc., Mountain Pass  
Operation, Mountain Pass, CA 92366  
Closure Cost Est. \$2,790,000 Post-Closure Est.  
\$276,000  
Closure and Post-Closure

Molycorp Inc., a wholly owned subsidiary of Union Oil  
Company of California, operates the following facility for  
which state of Pennsylvania liability requirements will be  
met by insurance or a combination of insurance and a  
letter of credit on state approval of forms:

EPA I.D. No. PAD030068282 - Molycorp, Inc., P. O. Box  
500, Washington, PA 15301  
Closure Cost Est. \$399,000 Post-Closure Est. \$19,000  
Closure and Post-Closure

ATTACHMENT B

EPA I.D. No. TXD010794097 - Beaumont Refinery, P. O. Box 237, Beaumont, TX 77627  
Closure Cost Est. \$11,763,000 Post-Closure Est. \$983,000  
Closure and Post-Closure ~~\$12,746,000~~

✓ EPA I.D. No. CAD009108705 - San Francisco Refinery, Rodeo, CA 94572  
Closure Cost Est. \$302,000 Post-Closure Est. \$172,000  
Closure and Post-Closure \$474,000

✓ EPA I.D. No. CAD009539321 - Molycorp, Inc., Mountain Pass Operation, Mountain Pass, CA 92366  
Closure Cost Est. \$2,790,000 Post-Closure Est. \$276,000  
Closure and Post-Closure ~~\$3,066,000~~

Molycorp, Inc, a wholly owned subsidiary of Union Oil Company of California operates the following facility for which financial assurance for closure and post closure is provided by a security bond issued pursuant to Pennsylvania law:

✓ EPA I.D. No. PAD030068282 - Molycorp, Inc., P. O. Box 500, Washington, PA 15301  
Closure Cost Est. \$399,000 Post-Closure Est. \$19,000  
Closure and Post-Closure \$ ~~418,000~~

Molycorp, Inc., operates the following facility for which financial assurance for closure and post closure care will be provided by insurance or alternative mechanism on approval of the Colorado Department of Health

✓ EPA I.D. No. COD076448794 - Molycorp, Inc., P. O. Box 37, Louviers, CO 80131  
Closure Cost Est. \$267,000 Post-Closure Est. 10,000  
Closure and Post-Closure ~~277,000~~

March 30, 1988

Union Oil Company of California  
1201 West Fifth Street  
Los Angeles, California 90017

Gentlemen:

We have examined the consolidated balance sheet of Union Oil Company of California and its consolidated subsidiaries (the Company) as of December 31, 1987, and the related statements of consolidated earnings, changes in consolidated financial position and consolidated shareholder's equity for the year then ended, and have issued our report thereon dated February 12, 1988. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Company has prepared documents in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265 of the Environmental Protection Agency rules and regulations.

At your request, we performed the following agreed-upon procedures:

1. Read 40 CFR 264.147(f) (3) (iii) of the Environmental Protection Agency (EPA) "Standards Applicable to Owners and Operators of Hazardous Waste Treatment, Storage, and Disposal Facilities: Financial Test for Liability Coverage" in the Federal Register dated August 1, 1986. Such section sets forth the reporting requirements of the auditors of Union Oil Company of California and its consolidated subsidiaries pursuant to the EPA rules and regulations.
2. As to the following selected financial data required by 40 CFR 264.151(g) Part B:

- A. We compared the amounts listed below as of December 31, 1987 and for the year then ended to the aforementioned consolidated financial statements and related notes or to a schedule reconciling the amounts to the aforementioned consolidated financial statements and related notes.
- B. We compared the amounts as listed below to Union Oil Company of California's letter dated March 30, 1988.

<u>Selected Financial Data</u>	<u>In Millions of Dollars</u>
Total liabilities	<u>\$8,407</u>
Tangible net worth	<u>\$1,654</u>
Net worth	<u>\$1,654</u>
Current assets	<u>\$1,959</u>
Current liabilities	<u>\$1,438</u>
Net working capital	<u>\$ 521</u>
The sum of net income plus depreciation, depletion and amortization	<u>\$1,266</u>
Total assets in the United States	<u>\$8,560</u>

In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the above amounts should be adjusted.

It is understood that this report is solely for your information and is not to be referred to or distributed for any purpose to anyone who is not a member of management of Union Oil Company of California and its subsidiaries, or its parent, Unocal Corporation and its subsidiaries, or the Illinois Environmental Protection Agency.

Very truly yours,

*Coopers & Lybrand*

# LIABILITY CHECKLIST/FINANCIAL TEST

Owner or Operator: UNION OIL CHICAGO REF. Reviewed by: HPC  
 Address: 135th & New Ave Lemont IL 60439 Date: 9/21/88  
 Chief financial officer: ( ) Annual report ( ) Form 10-K (X) Letter wording & signatures  
 Certified public accountant: ( ) AICPA ( ) State CPA society (X) Other: BIG 8  
 Accountant's opinion: Date 3/30/88 (X) Unqualified ( ) Qualified ( ) Adverse ( ) Disclaimer  
 Accountant's special report: Date 3/30/88 (X) Latest fiscal year (X) Confirms CFO

## FACILITIES COVERED BY FINANCIAL TEST

Facility EPA ID #	Annual Aggregate Liability Coverage	Closure Costs		Post-Closure Costs		Total Cost Coverage
		Current Estimate	Coverage	Current Estimate	Coverage	
ILD 041550567	8MM	\$ 140,000	<del>\$ 315,000</del>	<del>\$ 455,000</del>	<del>\$ 315,000</del>	\$ 455,000
TXD 010394097		11,763,000		283,000	SAME	12,746,000
CAD 009108705		302,000		172,000		474,000
COD 096448794		267,000		10,000		277,000
CAD 009539321		2,790,000		276,000		3,066,000
SAD 030068282		399,000		19,000		418,000
Total cost coverage -----		\$	\$	\$	\$	\$17,436,000
Maximum annual aggregate liability coverage -----						8MM
Total coverage required for financial test -----						\$25,436,000

Financial Test: Fiscal Year 12/87 (X) Alternative I (Ratio Test) (X) Alternative II (Bond rating)

## FOLLOW-UP ACTIONS REQUIRED

Annual review (90 days after end of fiscal year)

DATE REQUIRED

3/31/89

1/1

1/1

LAST YEAR  
24,695,000 X 1.25  
IS < 25,436,000  
PROVIDED

Comments: ALT I RATION TEST LIABILITIES 72.0 ASSETS 1.5  
NET WORTH 24.695 LIABILITIES 1.5  
ALT II MEETS MOODY RATING 24.695 LIABILITIES 1.5  
CIPC X 6 < TAN NET WORTH 24.695 LIABILITIES 1.5  
CIPC X 6 < US ASSETS

Attachments: (X) Letter from Chief Financial Officer  
 (X) Accountant's opinion (X) Accountant's special report  
 ( ) Other

FAILED ON ALT I PASSED ON ALT II

## FACILITY CHECKLIST

Facility Name: UNION OIL CHIC ROF. Reviewed by: HAC  
U.S. EPA ID #: ILD 041550567 Date: 9/21/88  
Facility address: 135th STREET & NEW AVENUE  
Owner Name: UNION OIL CO. OF AMERICA  
Owner address: 1201 WEST SEN STREET PO BOX 7600 LA, CAL. 90051  
Estimated closure cost: \$ 140,000 Date of estimate: 5/30/88  
Estimated post-closure cost: \$ 315,000 Date of estimate: 3/30/88  
Latest annual adjustment factor: 1.02 (2%)  
Total estimated closure and post-closure costs: \$ 455,000 Last adjusted 3/30/88

## Financial Assurance Mechanisms

Date Received:        /        /

Mechanism	Guarantor Name & Address	Effective Date	Amount of	Validation	
			Coverage	Date	Initials
		1 / 1	\$	1 / 1	
FT		3 13 01 88	455,000	31 30 88	HAC
		1 / 1		1 / 1	
		1 / 1		1 / 1	
		1 / 1		1 / 1	
		1 / 1		1 / 1	

**Total Coverage \$**

## Liability Coverage Mechanisms

**Date Received:**        /        /

Mechanism	Guarantor Name	Effective Date	Amount of	Validation	
			Coverage	Date	Initials
		1/1	\$	1/1	
<del>STERN</del>	FT	3/30/88		1/1	
FT	company (SELF INS)	3/30/88	8mm	8/30/88	HAE
		1/1		1/1	
		1/1		1/1	
		1/1		1/1	

Total Coverage \$ *8MM*

### FOLLOW-UP ACTIONS REQUIRED

**DATE REQUIRED**

**Review cost estimates (90 days after anniversary date)**

3131 ~~19~~

**Comments:**

**Attachments:**

Unocal Corporation  
1201 West 5th Street, P.O. Box 7600  
Los Angeles, California 90051  
Telephone (213) 977-6532

**UNOCAL** 76

March 30, 1988

**Robert Schiav**  
Manager, Corporate Accounts

Illinois Environmental  
Protection Agency  
Division of Land Pollution  
Control  
Permit Section - Financial  
Assurance  
2200 Churchill Road  
Springfield, Illinois 62706

Gentlemen:

Enclosed is the financial test submittal for Union Oil Company of California for fiscal year 1988. Should you have any questions, please contact me at (213) 977-6532.

Very truly yours,



JTE:aj/1627-6

Enclosure

RECEIVED  
APR - 4 1988  
IEPA-DLPQ

Unocal Corporation  
1201 West 5th Street, P.O. Box 7600  
Los Angeles, California 90051  
Telephone (213) 977-6532



September 23, 1988

Robert Schiav  
Manager, Corporate Accounts

Illinois Environmental  
Protection Agency  
Division of Land Pollution  
Control  
Permit Section - Financial  
Assurance  
2200 Churchill Road  
Springfield, Illinois 62706  
  
Attention: Mr. Harry Chappel

Dear Mr. Chappel:

Enclosed is a copy of Union Oil Company of California's 1987 financial statements to be included with the financial test submittal we sent you in March 1988 for Union Oil.

If you need additional information, please call me at (213) 977-6532.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert Schiav", written over a horizontal line.

Enclosure

RECEIVED

SEP 26 1988

IEPA-DLPC

**UNION OIL COMPANY OF CALIFORNIA  
AND CONSOLIDATED SUBSIDIARIES**

**1987 FINANCIAL STATEMENTS**

**RECEIVED**

**SEP 26 1988**

**IEPA-DLPC**

The Shareholder of Union Oil  
Company of California

We have examined the consolidated balance sheet of Union Oil Company of California and its consolidated subsidiaries as of December 31, 1987 and 1986, and the related statements of consolidated earnings, changes in consolidated financial position and consolidated shareholder's equity for each of the three years in the period ended December 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Union Oil Company of California and its consolidated subsidiaries as of December 31, 1987 and 1986, and the results of their consolidated operations and changes in their consolidated financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change in 1987, with which we concur, in the basis of consolidation of its wholly owned finance subsidiary and except for the change in 1986, with which we concur, in the method of accounting for pension costs as described in the Consolidated Finance Subsidiary and the Retirement Plans Notes to the consolidated financial statements, respectively.

*Coopers & Lybrand*

February 12, 1988  
Los Angeles, California

**CONSOLIDATED EARNINGS**  
(dollars in millions)

**UNION OIL COMPANY OF CALIFORNIA**  
for years ended December 31,

	<u>1987</u>	<u>1986</u>	<u>1985</u>
<b><u>Revenues</u></b>			
Sales and operating revenues*	\$9,158	\$ 8,086	\$11,315
Interest, dividends and miscellaneous income	165	62	87
Equity in earnings of affiliated companies	44	42	33
Gains on sales of assets	<u>111</u>	<u>286</u>	<u>195</u>
Total revenues	9,478	8,476	11,630
<b><u>Costs and Other Deductions</u></b>			
Cost of products sold and operating expense	6,243	5,225	7,742
Selling, administrative and general expense	389	359	459
Depreciation and amortization	1,005	932	901
Dry hole costs	82	139	211
Exploration expense	132	129	180
Interest expense	451	482	244
Excise, property and other operating taxes	823	758	910
Minority interest	<u>24</u>	<u>14</u>	<u>4</u>
Total costs and other deductions	<u>9,149</u>	<u>8,038</u>	<u>10,651</u>
Earnings before taxes on income	329	438	979
Federal and other taxes on income	<u>68</u>	<u>130</u>	<u>344</u>
<b>Net earnings</b>	<b><u>\$ 261</u></b>	<b><u>\$ 308</u></b>	<b><u>\$ 635</u></b>
 *Includes consumer excise taxes of	 \$ 697	 \$ 609	 \$ 582

See Notes to Consolidated Financial Statements.

Note: Union Oil Company of California is a wholly owned subsidiary of Unocal Corporation ("Parent" or "Unocal")

# CONSOLIDATED BALANCE SHEET

UNION OIL COMPANY OF CALIFORNIA

	December 31	
	1987	1986
	<u>Millions of Dollars</u>	
<b><u>Assets</u></b>		
Current assets		
Cash	\$ 234	\$ 235
Marketable securities	193	135
Accounts and notes receivable		
Trade	938	857
Other	44	266
Inventories	523	471
Prepaid expenses	<u>27</u>	<u>36</u>
Total current assets	1,959	2,000
Investments and long-term receivables		
Affiliated companies	250	246
Other	263	163
Properties - net	7,478	7,714
Deferred charges	<u>111</u>	<u>117</u>
Total assets	<u>\$10,061</u>	<u>\$10,240</u>
<b><u>Liabilities</u></b>		
Current liabilities		
Accounts payable	\$ 785	\$ 664
Taxes payable	129	179
Short-term notes payable	256	128
Current portion of long-term debt and capital leases	130	134
Interest payable	86	84
Other liabilities	<u>52</u>	<u>49</u>
Total current liabilities	1,438	1,238
Long-term debt	4,540	5,090
Capital lease obligations	72	98
Deferred income taxes	1,952	1,846
Other deferred credits and liabilities	234	229
Minority interest	<u>171</u>	<u>140</u>
Total liabilities	<u>8,407</u>	<u>8,641</u>
<b><u>Shareholders' Equity</u></b>		
Common stock (\$2-1/12 par value)		
Shares authorized: 260,000,000		
Shares outstanding: 1,000 in 1987 and 1986	-	-
Foreign currency translation adjustment	(14)	(30)
Retained earnings	<u>1,668</u>	<u>1,629</u>
Total shareholders' equity	<u>1,654</u>	<u>1,599</u>
Total liabilities and shareholders' equity	<u>\$10,061</u>	<u>\$10,240</u>

See Notes to Consolidated Financial Statements.

# CHANGES IN CONSOLIDATED FINANCIAL POSITION

UNION OIL COMPANY OF CALIFORNIA

	1987	1986	1985
	Millions of Dollars		
<b><u>Funds Provided From Operations</u></b>			
Net earnings	\$ 261	\$ 308	\$ 635
Noncash items in earnings			
Depreciation and amortization	1,005	932	901
Dry hole costs	82	139	211
Deferred taxes	17	345	162
Other	<u>10</u>	<u>(24)</u>	<u>235</u>
Funds provided from operations	1,375	1,700	2,144
<b><u>Other Sources (Uses) of Funds Excluding Financing</u></b>			
Book value of assets sold	78	125	78
Investments and long-term receivables	(56)	(90)	(135)
Working capital changes related to operations			
Accounts and notes receivable	141	333	(276)
Inventories	(52)	116	42
Prepaid expenses	9	(7)	(1)
Accounts payable	121	(362)	(6)
Other current liabilities	(45)	4	18
Other	<u>37</u>	<u>(20)</u>	<u>26</u>
Funds available before financing	1,608	1,799	1,890
<b><u>Financing Activities</u></b>			
Increase (Decrease) in short-term notes payable	128	2	(52)
Long-term borrowings	1,433	1,127	4,806
Reduction of long-term debt	(1,973)	(1,555)	(523)
Reduction of capital lease obligations	<u>(40)</u>	<u>(10)</u>	<u>(8)</u>
Total funds provided	1,156	1,363	6113
<b><u>Utilization of Funds</u></b>			
Capital expenditures (including dry hole costs)	(877)	(862)	(1,526)
Dividends declared to Parent	(222)	(373)	(4,115)
Distribution of capital to Parent	<u>-</u>	<u>-</u>	<u>(526)</u>
Increase (Decrease) in cash and marketable securities	<u>\$ 57</u>	<u>\$ 128</u>	<u>\$ (54)</u>

See Notes to Consolidated Financial Statements.

# **CONSOLIDATED SHAREHOLDERS' EQUITY**

## **UNION OIL COMPANY OF CALIFORNIA**

	<u>1987</u>	<u>1986</u>	<u>1985</u>
	<u>Millions of Dollars</u>		
<b><u>Common Stock</u></b>			
Shares authorized - 260,000,000	\$ -	\$ -	\$ -
Shares outstanding - 1,000			
<b><u>Capital in Excess of Par Value</u></b>			
Balance at beginning of year	-	-	526
Distribution of capital to Parent	<u>-</u>	<u>-</u>	<u>(526)</u>
Balance at end of year	-	-	-
<b><u>Foreign Currency Translation Adjustment</u></b>			
Balance at beginning of year	(30)	(33)	(20)
Current year adjustment	<u>16</u>	<u>3</u>	<u>(13)</u>
Balance at end of year	(14)	(30)	(33)
<b><u>Retained Earnings</u></b>			
Balance at beginning of year	1,629	1,694	5,174
Net earnings for year	261	308	635
Dividends declared to Parent	<u>(222)</u>	<u>(373)</u>	<u>(4,115)</u>
Balance at end of year	1,668	1,629	1,694
<b><u>Shareholders' Equity</u></b>			
Total shareholders' equity	<u>\$ 1,654</u>	<u>\$1,599</u>	<u>\$1,661</u>

See Notes to Consolidated Financial Statements.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **Summary of Accounting Policies**

#### **Principles of Consolidation**

For the purposes of this report, Union Oil Company of California and its consolidated subsidiaries will be referred to as the company or Union.

The consolidated financial statements of the company include the accounts of subsidiaries more than 50 percent owned, except for certain Brazilian subsidiaries which are accounted for at cost.

Investments in affiliates owned 50 percent or less are accounted for by the equity method. Under the equity method, the investments are stated at cost plus the company's equity in undistributed earnings after acquisition. Income taxes estimated to be payable when undistributed earnings are distributed are included in deferred taxes.

#### **Inventories**

Inventories are valued at lower of cost or market. The cost of crude oil, refined products and chemicals inventories is determined under the last-in, first-out (LIFO) method. The cost of other inventories is determined by using various methods. Cost elements primarily consist of raw materials and production expenses.

#### **Capitalized Leased Properties**

Facilities and lands leased by the company under firm, long-term obligations are capitalized as assets and depreciated in the same manner as owned properties. Future minimum rental payments are discounted to a present value using the company's incremental borrowing rate in effect at the time of leasing and such value is recorded as a liability. Earnings are charged for depreciation of the properties and the imputed interest on the rental obligations in lieu of actual rental payments.

#### **Oil and Gas Exploration and Development Costs**

The company follows the successful efforts method of accounting for its oil and gas activities.

Acquisition costs of exploratory acreage are capitalized. Full amortization of the nonproductive portion of such costs is provided over the shorter of the exploratory period or the lease holding period. Costs of successful leases are transferred to proved properties.

Exploratory drilling costs are initially capitalized. If exploratory wells are determined to be commercially unsuccessful, the related costs are charged to expense.

Geological and geophysical costs and leasehold rentals are expensed as incurred.

Development costs of proved properties are capitalized.

## **Depreciation and Amortization**

Depreciation and amortization related to proved oil and gas properties and estimated future abandonment and removal costs for offshore production platforms are calculated at unit of production rates based upon estimated proved recoverable reserves.

Mine development costs are capitalized and amortized using unit of production rates based on estimated proved recoverable reserves.

Depreciation of other properties is generally on a straight-line method using various rates based on estimated useful lives.

## **Maintenance and Repairs**

Expenditures for maintenance and repairs are charged currently to earnings. In general, betterments are charged to the respective property accounts and such accounts are relieved of the cost of any property replaced.

## **Retirements and Disposals of Properties**

Losses on retirement of facilities for which individual allowances are accumulated are charged to current depreciation expense and on retirements of other properties to accumulated allowances. Gains or losses on sales of properties are included in current earnings.

## **Income Taxes**

Deferred income taxes are provided for the estimated income tax effect of timing differences between financial and taxable income. The allowable investment and energy tax credits are applied as a current reduction of income tax expense.

## **Foreign Currency Translation**

Foreign exchange gains and losses as a result of translating a foreign entity's financial statements from its functional currency into U.S. dollars are included as a separate component of Shareholders' Equity called "Foreign Currency Translation Adjustment". The functional currency for all foreign operations is the U.S. dollar except for Canada. Actual gains or losses incurred on currency transactions in other than the country's functional currency are included in net earnings currently.

## **Other Accounting Policies**

Marketable securities are carried at cost which approximates market.

Interest is capitalized on major construction and development projects as part of the cost of the asset.

### Other financial Information

Accounts and notes receivable are stated net of allowances for losses of \$23 million and \$26 million at December 31, 1987 and 1986, respectively. Investments and long-term receivables are stated net of allowance for losses, the amount of which was insignificant in 1987 and was \$6 million in 1986.

Investments and long-term receivables - other, at December 31, 1987, included proceeds of \$87 million from December commercial paper issuances, which were used in January 1988 to prepay a portion of the bank credit agreement.

Dividends received from affiliates totaled \$42 million in 1987, \$45 million in 1986 and \$37 million 1985.

Charges to earnings for research and development were \$53 million in 1987, \$60 million in 1986 and \$66 million in 1985.

Capitalized interest amounted to \$27 million in 1987, \$43 million in 1986 and the amount in 1985 was insignificant.

Maintenance and repairs expenses were \$521 million in 1987, \$421 million in 1986 and \$476 million in 1985.

Miscellaneous income in 1987 included proceeds of \$115 million from Public Service of Indiana in settlement of the uranium ore supply contract. As the company has no other customer for its uranium ore, a \$100 million before-tax write-down of its uranium properties was recorded in 1987.

Gains on sales of assets for 1987 includes \$90 million from the sale of UXP units to the Parent. Sales of assets for 1986 included a settlement payment from the Iranian government, the disposal of certain foreign oil and gas assets, the sale of certain stock investments, and a gain of \$131 million from the sale of UXP units to the Parent. Sales of assets for 1985 included a gain of \$141 million from the public sale of UXP units and a gain of \$37 million on the sale of UXP units to the Parent.

Pretax earnings for 1985 included a charge of \$250 million for the write-down of the value of oil shale assets. The provision represents the excess of carrying value of oil shale assets over the estimated future cash flow from oil shale operations.

Certain items in the prior years financial statements have been reclassified to conform to the 1987 classifications.

### **Union Exploration Partners, Ltd. (UXP)**

On August 1, 1985, the company transferred substantially all of its Gulf Region oil and gas net assets to UXP in exchange for 220 million partnership units. Subsequently, the company sold approximately 8.6 million limited partnership units in an initial public offering and retained approximately 211.4 million units as general partner units representing approximately a 96-percent interest in UXP. The partnership is accounted for by the company on a fully consolidated basis and follows the company's accounting policies for its oil and gas activities. Union is the managing general partner of UXP. Unocal purchased 8.3 million newly issued limited partnership units for \$144 million and 14.1 million units for \$220 million to fund UXP's exploration and development activities in 1987 and 1986, respectively. The company's ownership interest in UXP was approximately 87 percent at year-end 1987, 89 percent at year-end 1986, and 95 percent at year-end 1985.

### **Business Segments**

The company is engaged principally in petroleum, chemical, geothermal and metal operations. Petroleum involves the exploration, production, transportation and sale of crude oil and natural gas; and the manufacture, transportation and marketing of petroleum products. Chemicals involves the manufacture, purchase, transportation and marketing of chemicals for industrial and agricultural uses. Geothermal involves the exploration, production and sale of geothermal resources. Metals primarily involves the exploration, production and marketing of lanthanides, molybdenum and niobium. Other operations include the development, production and sale of shale oil and coal, and real estate development and sales.

### **Related Party Transactions**

The company has an operating agreement with Unocal, which requires Union to perform certain responsibilities and duties with regard to the operation of Unocal's thirteen truckstops. The agreement requires Union be reimbursed for all out-of-pocket expense incurred in managing the truckstops. In addition, as compensation for the activities of Union's management and employees and for Union's use of its equipment, Unocal will pay to Union a fee of six percent of all rentals due from the thirteen truckstop operators.

In 1985, the company made payment of \$61 million on behalf of Unocal for its anti-takeover costs.

## Inventories

	December 31	
	1987	1986
	<u>Millions of Dollars</u>	
Crude oil and condensate	\$ 80	\$ 62
Refined products	237	190
Chemicals	87	86
Metals	29	29
Real estate development	31	43
Supplies, merchandise and other	59	61
Total	<u>\$523</u>	<u>\$471</u>

Current cost of inventories exceeded the LIFO inventory value included above by \$383 million and \$277 million at December 31, 1987 and 1986, respectively. Cost of products sold in 1986 included a LIFO loss of \$46 million from inventory drawdown.

## Properties and Capitalized Leases

Investments in owned and capitalized leased properties at December 31, 1987 and 1986, are set forth below. A substantial portion of the leased properties includes land rights, purchase options or favorable renewal options.

	1987		1986	
	Gross	Net	Gross	Net
	<u>Millions of Dollars</u>			
<b>Owned properties (at cost)</b>				
Petroleum operations:				
Exploration				
United States	\$ 660	\$ 240	\$ 676	\$ 312
Foreign	116	41	114	39
Production				
United States	6,120	2,673	5,853	2,702
Foreign	2,678	895	2,497	916
Refining, marketing and transportation	<u>2,922</u>	<u>1,518</u>	<u>2,712</u>	<u>1,461</u>
Total	12,496	5,367	11,852	5,430
Chemical operations	925	438	905	497
Metal operations	495	265	494	273
Geothermal operations	936	575	860	555
Other and Unallocated*	<u>1,285</u>	<u>757</u>	<u>1,252</u>	<u>853</u>
Total owned properties	<u>16,137</u>	<u>7,402</u>	<u>15,363</u>	<u>7,608</u>
<b>Capitalized leased properties</b>				
Refining, marketing and transportation	133	56	234	84
Other and Unallocated	<u>43</u>	<u>20</u>	<u>43</u>	<u>22</u>
Total leased properties	<u>176</u>	<u>76</u>	<u>277</u>	<u>106</u>
Total	<u>\$16,313</u>	<u>\$ 7,478**</u>	<u>\$15,640</u>	<u>\$7,714**</u>

\*Principally includes oil shale, real estate and coal properties.

\*\*Properties are net of accumulated depreciation, depletion and amortization of \$8,835 million and \$7,926 million at December 31, 1987 and 1986, respectively.

## Retirement Plans

The company and its subsidiaries have several non-contributory retirement plans covering substantially all employees. Plan benefits are primarily based on years of service and employees' compensation near retirement.

In 1986, the company adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions", and No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", for its principal U.S. plan. In 1987, the company adopted these Standards for the remaining U.S. plans, and the effect was not material. The plans are administered by corporate trustees and contributions to the trustees are intended to provide for benefits attributed to service to date and for those expected to be earned in the future. There was no company contribution to the principal U.S. plan in 1987 and 1986 as plan assets substantially exceeded the pension obligations. The company contribution to the remaining U.S. plans was insignificant in 1987 and 1986. Plan assets principally consist of U.S. Treasury obligations, equity securities and insurance contracts.

During the first quarter of 1986, the company initiated a voluntary early retirement program. The program included a special incentive for employees electing to retire, which caused an increase in the pension benefits to be paid from the company's pension funds.

Pension costs for the principal U.S. plan in 1987 and 1986 included the following components:

	<u>1987</u>	<u>1986</u>
	<u>Millions of Dollars</u>	
Service cost - benefits earned during the year	\$ 23	\$ 17
Interest cost on projected benefit obligation	47	45
Actual return on plan assets	(58)	(138)
Net amortization and deferral	(56)	8
Increased cost due to early retirement program	-	31
Net pension expense (income)	<u>\$ (44)</u>	<u>\$ (37)</u>

The following table sets forth the plan's funded status and amounts recognized in the Consolidated Balance Sheet at December 31:

	<u>1987</u>	<u>1986</u>
	<u>Millions of Dollars</u>	
Plan assets at fair value	<u>\$ 853</u>	<u>\$ 860</u>
Actuarial present value of benefit obligations:		
Vested benefits	485	480
Nonvested benefits	<u>43</u>	<u>42</u>
Accumulated benefit obligation	528	522
Effect of projected future salary increases	<u>107</u>	<u>138</u>
Projected benefit obligation	<u>635</u>	<u>660</u>
Plan assets in excess of projected benefit obligation	218	200
Unrecognized net loss during the year	178	185
Unrecognized net assets*	<u>(358)</u>	<u>(391)</u>
Prepaid (accrued) pension cost	<u>\$ 38</u>	<u>\$ (6)</u>

\* Equals implementation balance at January 1, 1986 of \$424 million less annual amortization of \$33 million in 1986 and 1987.

The assumed rates used to measure the projected benefit obligation and the expected earnings of plan assets were as follows:

	<u>1987</u>	<u>1986</u>
Weighted-average discount rate	8.25%	7.5%
Increase in future compensation levels	5.0%	5.0%
Expected long-term return on plan assets	11.5%	11.5%

The pension expense in 1985, which has not been restated, was \$43 million. The pension income for 1987 and 1986 is not directly comparable to 1985 due to the 1986 accounting change.

Employees of certain foreign subsidiaries of the company are covered by separate plans. Obligations under such plans are sufficiently covered by the assets on hand. Total costs for these plans were insignificant for each period.

In addition to providing pension benefits, the company and its subsidiaries provide certain health care and life insurance benefits for retired employees. The company's employees become eligible for these benefits upon retirement from the company. The costs of the insurance premiums for these benefits totaled \$11 million in 1987 and \$10 million in both 1986 and 1985.

#### Short-Term Notes Payable

Short-term notes payable at December 31, 1987 and 1986, consist of the following:

	<u>1987</u>	<u>1986</u>
	<u>Millions of Dollars</u>	
Commercial paper*	\$101	\$110
Eurocommercial paper	106	-
Bankers acceptances	<u>49</u>	<u>18</u>
Total	<u>\$256</u>	<u>\$128</u>

\* Issued by Union Oil Credit Corporation and supported by lines of credit as discussed in the Long-Term Debt and Credit Agreements Note on page 13.

### Long-Term Debt and Credit Agreements

Long-term debt at December 31, 1987 and 1986, excluding current maturities, is as follows:

	<u>1987</u>	<u>1986</u>
	<u>Millions of Dollars</u>	
Bonds and debentures		
5.1% to 10-1/2% Industrial Development		
Revenue Bonds due 1989 to 2008	\$ 188	\$ 188
8-5/8% Debentures due 1990 to 2006	163	179
Swiss Franc Bonds due 1996	110	110
Deutsche Mark Bonds due 1998	110	110
6-5/8% Debentures due 1990 to 1998	78	84
Notes		
Commercial paper	887	429
Bank credit agreement	450	1,750
11-3/8% Notes due 1992	573	600
10.2% Notes due 1988	500	500
8-3/4% Notes due 1997	300	-
9-3/4% Notes due 1994	250	250
10.6% Notes due 1989	200	200
10.9% Notes due 1990	200	200
Eurodollar Notes due 1996	200	200
8-1/2% Notes due 1994	150	-
Floating rate notes due 1989 to 1991	87	117
8.3% Notes due 1989 to 1997	37	40
Floating rate notes due 1989	15	75
9-1/2% Notes due 1989 to 1995	11	12
3-3/4% Notes due 1989 to 1990	10	15
8-1/2% Notes due 1989 to 2001	9	8
4-5/8% to 11-1/2% Notes due 1989 to 2000	3	4
Other miscellaneous debt	<u>9</u>	<u>19</u>
Total	<u>\$4,540</u>	<u>\$5,090</u>

At December 31, 1987, the commercial paper borrowing and the \$500 million of 10.2% notes due 1988 were classified as long-term debt since the company has retained sufficient lines of credit to enable it to refinance these borrowings on a long-term basis and not require working capital to fulfill these obligations. Excluding the above-mentioned borrowings plus the bank credit agreement, the amounts of remaining long-term debt maturing during the next five years are (in millions of dollars): 1988-\$101 (included in current liabilities); 1989-\$265; 1990-\$251; 1991-\$50 and 1992-\$637.

### Refinancing

During 1986 and 1987, the company restructured its long-term debt with attractive interest rates and maturity dates through various refinancing transactions.

In 1986, the company completed several borrowings to refinance the bank credit agreement by replacing a portion of it with long-term notes and commercial paper issuances. These borrowings consisted of (1) 8-year, \$250 million note issue, (2) 10-year, \$200 million Eurodollar note issue with an effective interest rate of 9.8%, (3) 10-year, \$110 million Swiss Franc bond issue with an effective interest rate of 9.7%, and (4) 12-year, \$110 million Deutsche Mark bond issue with an effective interest rate of 8.4%. In addition, the company initiated commercial paper and Eurocommercial paper programs.

During 1987, the company completed two separate issues by utilizing an existing shelf registration: (1) an 8-3/4%, \$300 million note issue due 1997 and (2) an 8-1/2%, \$150 million issue in noncallable notes due 1994. The net proceeds from these two issues of \$445 million, along with \$455 million of internally generated funds and \$400 million of commercial paper borrowings were aggregated to prepay \$1.3 billion in principal on the bank credit agreement during the year. In December, a 5-year, \$1.5 billion bank credit agreement was completed. This bank credit agreement is a revolving credit for the first two years and a term loan for the last three years. The company utilized this facility to retire the \$450 million balance on the \$4.4 billion bank credit agreement established in 1985. The weighted average interest rate on the amount outstanding at year end 1987 was approximately 8.6%.

At December 31, 1987, the company had \$887 million of commercial paper outstanding with a weighted average interest rate of approximately 7.8%. The Eurocommercial paper was classified as short-term debt in 1987. During the year the company also purchased, at market, \$27 million of its 11-3/8% Guaranteed Notes due 1992, utilizing internally generated funds.

In early 1988, the company prepaid \$200 million of the bank credit agreement with proceeds received from the issuance of commercial paper and internally generated funds.

#### **Lines of Credit and Loan Restrictions**

In connection with the borrowing of commercial paper, the company has a long-term backup credit facility with various banks. As of December 31, 1987, this facility provided lines of credit of \$900 million in support of the commercial paper issued by Union Oil Company of California and credit lines of \$255 million in support of commercial paper issued by Union Oil Credit Corporation.

As of February 29, 1988, the company had available undrawn commitments of \$1,150 million through 1989 under the new bank credit agreement for general corporate purposes at a commitment fee of 1/16 of 1% on the undrawn funds. In addition, the company pays a facility fee of 1/8 of 1% on the total commitments. The replacement of the 1985 bank credit agreement with the \$1.5 billion bank credit agreement will ease the financial restrictions imposed on the company.

The company also has a shelf registration on file with the Securities and Exchange Commission that would permit the issuance of \$300 million in debt securities for general corporate purposes.

The bank credit agreement, the long-term backup credit facility and the private placement notes impose certain financial restrictions on Union Oil Company of California as borrower and Unocal Corporation as guarantor including financial restrictions relating to cash flow, working capital, leverage, payment of dividends and tangible net worth. At the end of 1987, the company had approximately \$946 million available for the payment of dividends to the Parent under the note agreement.

### Lease Rental Obligations

Minimum rental payments for capitalized leased properties, as well as the present value thereof computed by discounting future payments using the company's incremental borrowing rate in effect at the time of leasing and minimum rental obligations for operating leases, are as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
	<u>Millions of Dollars</u>	
1988	\$ 37	\$ 57
1989	12	39
1990	26	24
1991	9	18
1992	9	13
Balance	<u>46</u>	<u>40</u>
Total minimum rental obligations	<u>\$139</u>	<u>\$191</u>

After deduction of imputed interest of \$38 million, the present value of capital lease obligations at December 31, 1987, totaled \$101 million. The current portion of these obligations amounted to \$29 million.

Total operating rental expense included in current earnings is as follows:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
	<u>Millions of Dollars</u>		
Fixed amount rentals	\$ 74	\$ 81	\$ 68
Contingent rentals (based primarily on sales and usage)	<u>59</u>	<u>57</u>	<u>59</u>
Total	<u>\$133</u>	<u>\$138</u>	<u>\$127</u>

Sublease rental income related to capital and operating leases amounted to \$50 million in 1987, \$48 million in 1986 and \$47 million in 1985.

### Contingent Liabilities

Civil antitrust actions brought by the attorneys general of four states and the City of Long Beach, California, are pending against the company and other major oil companies. These actions collectively seek treble damages, injunctive relief, and divestiture of certain segments of the defendants' businesses. The company has denied the allegations of unlawful practices and believes that all actions can be successfully defended. With a minor exception, all claims have been denied by summary judgment for the company. Both the states and the City of Long Beach, however, have filed appeals. In view of the broad and largely undefined relief support sought in these actions, an adverse final decision could significantly affect the scope and nature of the company's operations.

The company also has certain other contingent liabilities with respect to litigation, claims and contractual agreements arising in the ordinary course of business. In the opinion of management, such contingent liabilities will not result in any loss which would materially affect the company's financial position.

### Consolidated Finance Subsidiary

During 1987, to conform to Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-owned Subsidiaries", the company included the accounts of Union Oil Credit Corporation, a wholly-owned finance subsidiary, in its consolidated financial statements. Prior year consolidated financial statements of the company were restated. The financial position and results of operations of Union Oil Credit Corporation were as follows:

#### **Financial Position**

	<u>December 31</u>	
	<u>1987</u>	<u>1986</u>
	<u>Millions of Dollars</u>	
Total assets, primarily accounts receivable	<u>\$ 186</u>	<u>\$193</u>
Short-term notes payable	\$ 101	\$110
Shareholder's equity	<u>85</u>	<u>83</u>
Total liabilities and shareholder's equity	<u>\$ 186</u>	<u>\$193</u>

#### **Statement of Earnings**

	<u>1987</u>	<u>1986</u>	<u>1985</u>
	<u>Millions of Dollars</u>		
Service charge income from Union Oil Company of California	\$ 11	\$ 18	\$ 31
Interest and administrative expense	<u>7</u>	<u>12</u>	<u>21</u>
Earnings before taxes on income	4	6	10
Provision for taxes on income	<u>2</u>	<u>3</u>	<u>5</u>
Net earnings	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 5</u>

#### **Excise, Property and Other Operating Taxes**

	<u>1987</u>	<u>1986</u>	<u>1985</u>
	<u>Millions of Dollars</u>		
Consumer excise taxes	\$ 697	\$609	\$582
Real and personal property taxes	70	84	82
Severance and other taxes on production	36	31	53
Windfall profit tax	(13)	3	135
Other taxes and duties	<u>32</u>	<u>31</u>	<u>58</u>
Total	<u>\$ 822</u>	<u>\$758</u>	<u>\$910</u>

In addition, social security and unemployment insurance taxes, which are charged principally to earnings and included with salaries and wages, totaled \$41 million in 1987, \$43 million in 1986 and \$44 million in 1985.

# Federal and Other Taxes on Income

	1987	1986	1985
	<u>Millions of Dollars</u>		
Federal			
Current	\$(30)	\$(193)	\$ 29
Investment and energy tax credits	(18)	(29)	(59)
Deferred	<u>(33)</u>	<u>240</u>	<u>139</u>
Total	(81)	18	109
State			
Current	15	-	22
Deferred	<u>(13)</u>	<u>24</u>	<u>4</u>
Total	2	24	26
Foreign			
Current	84	7	190
Deferred	<u>63</u>	<u>81</u>	<u>19</u>
Total	<u>147</u>	<u>88</u>	<u>209</u>
Total	<u>\$ 68</u>	<u>\$ 130</u>	<u>\$ 344</u>

Deferred taxes on income resulted from the following timing differences between financial and taxable income:

Accelerated depreciation for tax in excess of (less than) book provision	\$ (4)	\$ 160	\$ 129
Deductions for tax in excess of book provisions related to exploration and development costs	76	104	128
Deferred foreign income - blocked currency	(26)	16	8
Net pension expense	21	20	-
Capitalized inventory costs	(17)	-	-
Reserve for mine reclamation costs	(12)	-	-
Gain on sale of assets	(7)	24	(17)
Book provision for write-down of shale oil assets	-	-	(124)
Deduction for Trans Alaska Pipeline Settlement	-	-	25
Book provision for natural gas price refunds	-	23	(2)
Other items	<u>(14)</u>	<u>(2)</u>	<u>15</u>
Total	<u>\$ 17</u>	<u>\$ 345</u>	<u>\$ 162</u>

Reconciliation of the provision for taxes on income to the current federal statutory rate is as follows:

Taxes on book earnings computed at statutory rate	\$132	\$ 201	\$ 450
U.S. tax benefit of Parent's net loss	-	-	(142)
Dividend exclusion	(14)	(18)	(14)
U.S. investment and energy tax credits, net of applicable tax basis adjustment	(11)	(18)	(46)
Foreign taxes in excess of the statutory rate	11	30	35
U.S. tax reduction for domestic depletion	(9)	(11)	(13)
Federal minimum tax	3	8	-
State taxes, net of U.S. tax effect	1	13	14
Statutory rate in excess of taxes on gains from sales of assets	(36)	(85)	(48)
U.S. taxes on foreign operations due to reduced utilization of foreign tax credits	-	-	73
U.S. taxes due to prior years IRS audit settlement	-	-	25
Other items	<u>(9)</u>	<u>10</u>	<u>10</u>
Total	<u>\$ 68</u>	<u>\$130</u>	<u>\$ 344</u>

United States earnings/(losses) before income taxes (net of corporate and unallocated expenses) were \$(11) million, \$235 million and \$599 million for 1987, 1986 and 1985, respectively. Foreign earnings before taxes were \$340 million, \$203 million and \$380 million for 1987, 1986 and 1985, respectively.

No provision for U.S. taxes has been made related to the company's share of the undistributed earnings of foreign subsidiaries and affiliates which have been retained for reinvestment or when distributed are not expected to result in additional U.S. tax. Such undistributed earnings were approximately \$579 million, \$418 million and \$341 million as of December 31, 1987, 1986 and 1985, respectively.

Lower U.S. investment tax credits in 1986 were primarily due to reduced capital expenditures and the impact of the 1986 Tax Reform Act. The estimated negative net earnings impact in 1986 resulting from the retroactive application of the new tax law relating to investment tax credits was \$16 million.

In December 1987, the Financial Accounting Standards Board issued the Statement of Financial Accounting Standards No. 96 (FASB 96), "Accounting for Income Taxes". This statement will dramatically change the company's method of accounting for income taxes. FASB 96 requires, among other things, companies to use the liability method of accounting for temporary book/tax differences. This will require the company to restate its deferred taxes, presently accounted for by the deferred method, to reflect the amount at which the company expects to settle these temporary differences given future effective tax rates and regulations.

The company files a consolidated federal income tax return with its Parent. All federal and other taxes on income are included in the accounts of Union Oil Company of California and subsidiaries. No provision for income taxes has been made related to the gain of \$90 million and \$131 million on the sale of UXP units to the Parent in 1987 and 1986, respectively. These units remain in the possession of another wholly owned subsidiary of the Parent; accordingly, no taxable event has occurred.